

# Principle of Marketing

CLA 206



*University of Ibadan Distance Learning Centre  
Open and Distance Learning Course Series Development*

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## Vice-Chancellor's Message

The Distance Learning Centre is building on a solid tradition of over two decades of service in the provision of External Studies Programme and now Distance Learning Education in Nigeria and beyond. The Distance Learning mode to which we are committed is providing access to many deserving Nigerians in having access to higher education especially those who by the nature of their engagement do not have the luxury of full time education. Recently, it is contributing in no small measure to providing places for teeming Nigerian youths who for one reason or the other could not get admission into the conventional universities.

These course materials have been written by writers specially trained in ODL course delivery. The writers have made great efforts to provide up to date information, knowledge and skills in the different disciplines and ensure that the materials are user-friendly.

In addition to provision of course materials in print and e-format, a lot of Information Technology input has also gone into the deployment of course materials. Most of them can be downloaded from the DLC website and are available in audio format which you can also download into your mobile phones, IPod, MP3 among other devices to allow you listen to the audio study sessions. Some of the study session materials have been scripted and are being broadcast on the university's Diamond Radio FM 101.1, while others have been delivered and captured in audio-visual format in a classroom environment for use by our students. Detailed information on availability and access is available on the website. We will continue in our efforts to provide and review course materials for our courses.

However, for you to take advantage of these formats, you will need to improve on your I.T. skills and develop requisite distance learning Culture. It is well known that, for efficient and effective provision of Distance learning education, availability of appropriate and relevant course materials is a *sine qua non*. So also, is the availability of multiple plat form for the convenience of our students. It is in fulfilment of this, that series of course materials are being written to enable our students study at their own pace and convenience.

It is our hope that you will put these course materials to the best use.



**Prof. Abel Idowu Olayinka**

Vice-Chancellor

## **Foreword**

As part of its vision of providing education for “Liberty and Development” for Nigerians and the International Community, the University of Ibadan, Distance Learning Centre has recently embarked on a vigorous repositioning agenda which aimed at embracing a holistic and all encompassing approach to the delivery of its Open Distance Learning (ODL) programmes. Thus we are committed to global best practices in distance learning provision. Apart from providing an efficient administrative and academic support for our students, we are committed to providing educational resource materials for the use of our students. We are convinced that, without an up-to-date, learner-friendly and distance learning compliant course materials, there cannot be any basis to lay claim to being a provider of distance learning education. Indeed, availability of appropriate course materials in multiple formats is the hub of any distance learning provision worldwide.

In view of the above, we are vigorously pursuing as a matter of priority, the provision of credible, learner-friendly and interactive course materials for all our courses. We commissioned the authoring of, and review of course materials to teams of experts and their outputs were subjected to rigorous peer review to ensure standard. The approach not only emphasizes cognitive knowledge, but also skills and humane values which are at the core of education, even in an ICT age.

The development of the materials which is on-going also had input from experienced editors and illustrators who have ensured that they are accurate, current and learner-friendly. They are specially written with distance learners in mind. This is very important because, distance learning involves non-residential students who can often feel isolated from the community of learners.

It is important to note that, for a distance learner to excel there is the need to source and read relevant materials apart from this course material. Therefore, adequate supplementary reading materials as well as other information sources are suggested in the course materials.

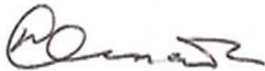
Apart from the responsibility for you to read this course material with others, you are also advised to seek assistance from your course facilitators especially academic advisors during your study even before the interactive session which is by design for revision. Your academic advisors will assist you using convenient technology including Google Hang Out, You Tube, Talk Fusion, etc. but you have to take advantage of these. It is also going to be of immense advantage if you complete assignments as at when due so as to have necessary feedbacks as a guide.

The implication of the above is that, a distance learner has a responsibility to develop requisite distance learning culture which includes diligent and disciplined self-study, seeking available administrative and academic support and acquisition of basic information technology skills. This is why you are encouraged to develop your computer skills by availing yourself the opportunity of training that the Centre's provide and put these into use.

In conclusion, it is envisaged that the course materials would also be useful for the regular students of tertiary institutions in Nigeria who are faced with a dearth of high quality textbooks. We are therefore, delighted to present these titles to both our distance learning students and the university's regular students. We are confident that the materials will be an invaluable resource to all.

We would like to thank all our authors, reviewers and production staff for the high quality of work.

Best wishes.



**Professor Bayo Okunade**

Director

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## About this course manual

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Principle of Marketing CLA 206 has been produced by University of Ibadan Distance Learning Centre. All course manuals produced by University of Ibadan Distance Learning Centre are structured in the same way, as outlined below.

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### How this course manual is structured

#### The course overview

The course overview gives you a general introduction to the course. Information contained in the course overview will help you determine:

- If the course is suitable for you.
- What you will already need to know.
- What you can expect from the course.
- How much time you will need to invest to complete the course.

The overview also provides guidance on:

- Study skills.
- Where to get help.
- Course assignments and assessments.
- Margin icons.

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We strongly recommend that you read the overview *carefully* before starting your study.

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#### The course content

The course is broken down into Study Sessions. Each Study Session comprises:

- An introduction to the Study Session content.
- Study Session outcomes.
- Core content of the Study Session with a variety of learning activities.
- A Study Session summary.
- Assignments and/or assessments, as applicable.
- Bibliography

## Your comments

After completing Principle of Marketing we would appreciate it if you would take a few moments to give us your feedback on any aspect of this course. Your feedback might include comments on:

- Course content and structure.
- Course reading materials and resources.
- Course assignments.
- Course assessments.
- Course duration.
- Course support (assigned tutors, technical help, etc.)

Your constructive feedback will help us to improve and enhance this course.

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## Getting around this course manual

### Margin icons

While working through this course manual you will notice the frequent use of margin icons. These icons serve to “signpost” a particular piece of text, a new task or change in activity; they have been included to help you to find your way around this course manual.

A complete icon set is shown below. We suggest that you familiarize yourself with the icons and their meaning before starting your study.

			
<b>Activity</b>	<b>Assessment</b>	<b>Assignment</b>	<b>Case study</b>
			
<b>Discussion</b>	<b>Group Activity</b>	<b>Help</b>	<b>Outcomes</b>
			
<b>Note</b>	<b>Reflection</b>	<b>Reading</b>	<b>Study skills</b>
			
<b>Summary</b>	<b>Terminology</b>	<b>Time</b>	<b>Tip</b>

## Study Session 1

# Overview of Marketing

## Introduction

In this first Study Session, we will introduce this course to you. We are starting with the definitions of marketing so as to make the concept clear to you. You will also learn the features of marketing and the differences between it and selling, and the differences between needs and wants. This will provide you the necessary foundation for understanding marketing practices and principles.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 1.1 *discuss* the meaning of marketing and highlight its importance;
- 1.2 *point* out objects/things that could be marketed;
- 1.3 *differentiate* between marketing and selling; and
- 1.4 *differentiate* between needs and wants.

## Terminology

<b>Marketing</b>	The action or business of promoting and selling products or services, including market research and advertising.
<b>Market</b>	A regular gathering of people for the purchase and sale of provisions, livestock, and other commodities.

## 1.1 What is Marketing?

Obviously, you already know that there cannot be one definition of a concept. Marketing as a concept is no exception. Consider these definitions because they are from reputable institutions:

- Marketing consists of the performance of business activities that direct the flow of goods and services from producer to consumer or user (American Marketing Association).
- Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders (American Marketing Association).

- Marketing is the management function that organises and directs all business activities involved in assessing and converting consumer purchasing power into effective demand for a specific product or service, and in moving it to the final consumer or user so as to achieve the profit target or other objectives set by the company (British Institute of Marketing).

Another definition of Marketing by a notable institution is this:

The Chartered Institute of Marketing, UK (CIM) defines marketing as the management processes responsible for identifying, anticipating and satisfying consumer's requirements profitably.

Kotler and Keller (2006) give two definitions of marketing based on social and managerial definitions of marketing. You should consider their definitions. They define marketing management as:

the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

They give the social definition as:

Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

Cheverton (2004) says that:

Marketing is the process of:

- 1) identifying customer needs;
- 2) conceptualizing these needs in terms of the organization's capacity to produce;
- 3) communicating that conceptualization to the appropriate focus of power in the organization;
- 4) conceptualizing the consequent output in terms of customer needs earlier identified;
- 5) communicating that conceptualization to the customer.

## ITQ

### Question

Which of the following sums up what marketing is all about?

- It is about satisfying the wants of customers.
- It is about making more money for the organization.
- It is about making more money for the government.
- It is about making more money for the competitors.

### Feedback

From the options provided to this question, it is incontrovertible that marketing is all about customer satisfaction. Thus, the right option is A.



### Features of Marketing

From the above definitions and many others, the following features are common:

- i. Marketing is a management process.
- ii. Marketing is about giving customers what they want.
- iii. Marketing identifies and anticipates customer's requirements or wants.
- iv. Marketing fulfils customer's requirements or wants efficiently and profitably.
- v. Marketing offers and exchanges ideas, goods and services.
- vi. All planning and operation must be consumer oriented.
- vii. All marketing activities must be well researched and coordinated.

Satisfaction of customers' needs and wants is essential to an organisation.

### 1.1.1 Importance of Marketing

You need to realise that the supply of products and services has far surpassed the demand. Using the US as an example, since the World War II there has been a strong buyer's market. Marketing is so much in demand in the US that one out of every four Americans in the civilian labour is engaged in a marketing activity. Although there is no such poll in Nigeria, it is not out of place to state that a fair number of Nigerians are employed in one marketing venture or the other. In fact, all over the world, marketing is practised in all modern nations regardless of their political philosophies, religious inclinations and philosophical ideologies.

In Nigeria, the economic crunch of the austerity period resulted in mass production of locally sourced items. Apart from this, there was an increase in the importation of cheap alternatives. These events were closely followed by the prevalence of a low-cash flow. Therefore, most of these products sat on the shelves and in warehouses. These resulted in frantic marketing drive. In other words, the products had to be sold at all or any cost. Marketing is important because without it the average consumer will be at sea about the product, its quality, the availability of the product, the prices of the alternatives, the various uses to which the product can be put.

As a matter of fact, the core of marketing is the satisfaction of consumer's needs and wants. Without doubt, this is the basic, social and economic justification for the existence of virtually all organisations. In others words, marketing is important to you because it constitutes a vital aspect of life. Good marketing is no accident, but a result careful of planning and execution, say Kotler and Keller (2006). It makes you understand the strategy of product conception, pricing, branding and

promotion. The study of marketing opens up to you a wide range of career opportunities in such fields as accounting, advertising, public relations, events marketing, sales promotion, customer and consumers relations, research and development (R&D), product and services marketing, political campaign, advocacy, development communication and several other business concerns.

### ITQ

#### Question

----- is not a career opportunity that opens up to you as a result of studying marketing.

- a. Sales promotion
- b. Advertising
- c. Nursing
- d. Customer relations

#### Feedback

In the last paragraph of this segment, we listed out these career paths but nursing is not part of the career paths. Hence, the right option is C.

## 1.2 Marketed Objects/Things

Have you ever wondered what constitutes things to be marketed? You can market the following things.

1. **Goods:** These are physical and tangible things or products that you can market to your target customers. Such goods include cars, laptop, bags, machines, television, fans, house and so on.
2. **Services:** The production of services complements goods at times. Services are provided by barbers, airlines, beautician, programmers, lawyers, engineers, doctors and so on.
3. **Events:** Events are things that you can market also. As a market, you can decide to promote time-based events such as trade shows, artistic performance and company anniversaries. Other examples include sporting events such as World Cup, SuperBowl, and Champions League and so on.
4. **Experiences:** This is when a company creates, stages and markets experiences where customers can enjoy themselves. It could be in form of excursion for a period of time. An example is when people pay a visit to Obudu Cattle Ranch, Olumo Rock, Osun Osogbo Festival and so on.
5. **Persons:** This is called celebrity marketing, and it is a major business nowadays. You can see that every major film and music star has an agent, a personal manager and is tied a public relations agency. Celebrity marketers render services for artists, musicians, CEOs, physicians, high-profile lawyers and financiers and other professionals.

6. **Places:** For tourism, you can market cities, states, regions, factories, company headquarters or new residents. Marketers in the developed world have made enormous money from marketing places.
7. **Properties:** Properties usually are bought and sold through marketing. Therefore, properties are part of things you can market. They are intangible rights of ownership of either real property which is real estate, or financial property which is stocks and bonds.
8. **Organisations:** Organisations ensure they build a strong, favourable and unique image in the minds of their publics. Consequently, these organisations spend a lot of money their corporate identities' advertisements. This is a form of marketing.
9. **Information:** As you know that we are in an information age. So you should not be surprised that information is being marketed nowadays. It can be produced and marketed as a product. Examples can be seen from books published, or media organisations.
10. **Ideas:** Everything is basically on selling some ideas from production to consumption. People or organisations market ideas to consumers.

#### ITQ

##### Question

Which of the following is not marketable?

- a. Information
- b. Goods
- c. Services
- d. None of the above.

##### Feedback

From the options provided to this question, you will agree that all of options A, B, and C are marketable. What that means therefore is that ALL of the THREE options ARE marketable. The right option is D.

## 1.3 Difference between Selling and Marketing

It is important at this point to inform you that marketing is much more than selling, though a lot of people usually think they are the same. Truly, you could see people carrying business activities all around you and you may think all are involved in marketing. The differences between the two are presented in the table below.

No	Activity	Marketing	Selling
1	<b>Organisational Focus</b>	Outward: based on the needs and wants of consumers	Inward: based on the needs of the organisation
2	<b>Nature of Business</b>	Satisfying Consumers	Sales of goods and services
3	<b>Primary Goal of Organisation</b>	Profit through consumer's satisfaction	Profit through maximum sales volume
4	<b>Strategy</b>	Coordinated: there is integrated marketing activities involving PR, Publicity, Advertising, Personal Selling, Sales Promotion with some measure of marketing	Intensive promotion: promotion is by public/physical selling, i.e. on the streets
5	<b>Planning</b>	Long-run oriented, focuses on future growth and market opportunity	Short-run, focuses on immediate sales
6	<b>Target Audience</b>	Target market, specific people/consumers	Everyone, anyone

**ITQ**

**Question**

Which of the following Statements is true about marketing and selling?

- a. Selling is much deeper than marketing.
- b. Marketing means the same thing as selling.
- c. Marketing is much deeper than selling.
- d. Selling means the same as marketing.

**Feedback**

From the options provided to this question, it is incontrovertible that marketing is not the same thing as selling and vice versa. Also, it is wrong to say that selling is much deeper than marketing. It is however true to state that marketing is much deeper than selling. Thus, the right option is C.



## 1.4 Needs and Wants: How they relate to Marketing

If you were to be asked, how would you differentiate between needs and wants? Needs are your basic human requirements to live. They are states of felt deprivation. When your needs are physical they mean foods, clothing, shelter and safety/security. When they are social, they are affection and acceptance. Also, your needs may constitute your individual knowledge self-expression, self-enhancement and so on. Most importantly, you should know that needs cannot be invented by marketers, rather your needs are natural, though they are limited and defined.

On the other hand, your wants are the specific things that you can use to satisfy your needs. For instance, if your need is food, you can decide as you want pounded and egusi soup. If your need is shelter, you can decide to live in rural or urban areas, or build a house of your choice. Also, if your need is clothing, you can decide to buy or borrow expensive or cheap clothes. These are things that can be created or invented by the marketers. Therefore, wants are described in terms of objects that will satisfy needs. Wants are unlimited but the resources to satisfy them are limited. Consequently, consumers usually choose the products that provide the greatest value and satisfaction for their money. Nevertheless, needs and wants are equal and inseparable. It now depends on the individual concerned whether something will be a need or want. Yet both are important for human existence.

### ITQ

#### Question

Needs are natural. TRUE/FALSE.

#### Feedback

This statement is true. From what we learnt in this segment, we came to know that a marketer could not invent wants because they are natural.

## Study Session Summary



### Summary

In this Study Session, we have discussed the definitions, features and importance of marketing. Also, we explained the differences between marketing and selling, needs and wants; and we gave a list of important things/goods that people market.

## Assessment



### Assessment

#### SAQ 1.1 (tests Learning Outcome 1.1 and 1.2)

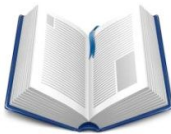
Marketing is important in all things but not all things are marketable. Discuss.

#### SAQ 1.2 (tests Learning Outcome 1.3 and 1.4)

Write short notes on the following: needs, wants, marketing, and selling.

---

## Bibliography



### Reading

Kotler, P. and Keller, K. L. (2006). *Marketing Management*. 12<sup>th</sup> Edition. New Jersey: Pearson Prentice Hall.

Cheverton, P. (2004). *Key Marketing Skills: strategies, tools and techniques for marketing success*. London: Kogan Page Limited.

Gosnay, R. and Richardson, N. (2008). *Develop Your Marketing Skills*. London: Kogan Page Limited.

## Study Session 2

# History, Functions and Roles of Marketing

## Introduction



**Figure 2.1 History of Marketing**

Study Session one was the foundation of this course. We will build on it by discussing the history of marketing from a local perspective and the functions of marketing in this Study Session. Our discussion on the role of marketing caps the section.

## Learning Outcomes



When you have studied this session, you should be able to:

- 2.1 *describe* how the concept of marketing has evolved over time;
- 2.2 *discuss* the functions of marketing; and

**Outcomes**

2.3 examine the roles of marketing.

## Terminology

<b>Industrialization</b>	The large-scale introduction of manufacturing, advanced technical enterprises, and other productive economic activity into an area, society, country, etc.
--------------------------	--

## 2.1 Marketing History

Marketing develops as the society and its economic activities develop. This means that the need for marketing arises and grows as the society moves from an Agricultural economy and self-sufficiency to an economy built around division of labour, industrialization and urbanization. During agrarian economy, the people were largely self-sufficient. They grew their own food, produced their own clothes, built their own houses and so on. Obviously, there was no marketing, because there was no exchange. However, as time went on, the concept of division of labour began to evolve. People began to produce more than they needed of some items. As long as people made more than they wanted, the foundation was laid for trade.

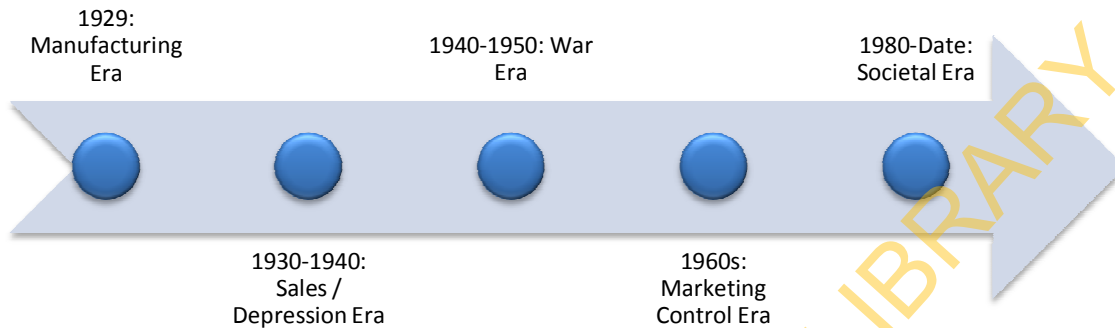


**Tip**

As long as people made more than they wanted, the foundation was laid for trade. Trade (exchange) is the heart of marketing.

At first, the exchange process was a simple one. The emphasis was largely on the production of basic needs which usually was in short supply. Little or no attention was devoted to marketing, and exchange was very local. There came the era of marketing when some producers began to manufacture their goods in large quantities. They did this in anticipation of future demands. At this juncture, it can be stated that marketing evolved in the United States as a by-product of the industrial revolution. Therefore, up to 1910, the American economy was very low. It was characterised by shortages of economic resources (goods). The middlemen were very strong. The main problem was that of production and distribution. Modern marketing came of age after the World War I and II when surplus and overproduction became an important part of the economic activities. In 1929 (the manufacturing era), there was manufacturing of goods and services, though it was below the expected demand. The main concern was to produce enough to meet the demands hand.

Figure 2.2 Marketing Development Timeline



Between 1930 and the 1940s (sales era/depression era), there was enough production of consumer goods and services. The major problem in hand was that of marketing distribution. The concern was to design the most effective channel of distribution among the various alternatives. Again, between 1940 and the 1950s (war era), all efforts were geared towards the production of war equipment at the expense of consumer goods. When the war came to an end, there were shortages of consumer goods. Hence, efforts were geared towards the production of consumer goods. During these periods, various scholars came up with different theories such as Professor Joe Robinson, who wrote on monopolistic economy. His assumption was that if a company can produce an item in such a way that the marginal returns will offset its price from the marginal costs, and the markets are segmented equally, then such company would be able to maximise her profits. Later, people became interested in this theory.

There was another author named Wanded Smith. He wrote an article on 'Why people must segment their markets and differentiate their products'. His argument was based on the fact that various companies use different machines for the production of war equipment. Besides, consumer purchasing power and tastes are not the same. During this period, the marketing concept evolved. 'Marketing concept' is a business philosophy that states what the consumers want – satisfaction - is the economic and social justification for a firm's existence. It is a managerial philosophy for performing business activities, which sees the entire business activities as a unit to be planned, and mobilised to produce goods and services to satisfy consumers' needs in such a way as to enhance the profit of the firm.

1960s (Marketing Control Era) This is the period when the marketing department became well known and so much important in the USA. One of the scholars of the time, Peter Drunker states that marketing

department is so complex that it can't be handled by a single individual. The attention at this period was directed toward markets. Also, consumerism came up due to the failure of the marketing concept. Consumerism is an organised movement of citizens and government to strengthen the rights and power of buyers in relation to sellers. Consumerists seek to increase the amount of consumer information, education and protection. 1980s to-Date (Societal Era), communication has turned the whole world into a global village. Effort has been on how to satisfy the society needs, and consumers became conscious of their rights.

### ITQ

#### Question

..... wrote about monopolistic economy.

- a. Adam Smith
- b. Joe Robinson
- c. Peter Drunker
- d. Wanded Smith

#### Feedback

Based on what we have studied in this segment and from the options provided to this question, the right option is not A, C, and D because none of them wrote about monopolistic economy. The right option is B.

## 2.2 Functions of Marketing

The functions of marketing can be classified into three: merchandising function, physical distribution and auxiliary function.

### 2.2.1 Merchandising Function

Merchandising functions include:

1. **Product Planning and Development** Product planning starts with idea generation, idea screening and development of a prototype product. It also takes into consideration the purchasing power of the consumers, taste and market segmentation. Research and development is established for the analyses of ideas generated.
2. **Standardisation and Grading:** This is concerned with setting certain standards/levels to accomplish the produced goods. This is carried out by the production department and regulated by some government agencies, such as Standards Organisation of Nigeria. For example, Sprite is 30 cl, Coke is 35 cl, and so on.
3. **Buying and Assembling:** Here, we are concerned with the marketing institutions that purchase goods or services at cheaper prices in order to resell at minimum prices to the end-users. These marketing institutions include the wholesalers, retailers and agents.
4. **Selling:** This is concerned with selling of the finished goods to the end- users either through the manufacturers or the marketing channels. In order to get the attention of their target consumers, they

embark on various promotional strategies, such as discounts, promo tools, bundle sales, bonuses and so on.

### 2.2.2 Physical Distribution

Physical distribution includes:

1. Storage Storing of goods to meet future demands and for time and other utilities.
2. Transportation: This is the movement of goods from the manufacturer down to the target consumers. This includes material handling, warehousing and so on.

### 2.2.3 Auxiliary Function

The auxiliary function are:

1. Marketing Finance: This is a form allowing credits to customers and as well as obtaining credit from customers, such as banks, individuals and so on.
2. Risk-Bearing: Risk means 'uncertainty'. Entering into a business entails risks, such as loss of items, road attack, and weather risk and so on.
3. Market Information Gathering: This is necessary information about the markets, the target consumers in terms of their purchasing power, taste, colour, choices, competition, and their products.

#### ITQ

##### Question

Selling is an example of ----- of marketing,

- a. Merchandising function.
- b. Physical distribution
- c. Auxiliary function
- d. Non-physical distribution

##### Feedback

IF YOU LOOK AT the options provided to this question, you will notice that option D is not part of the class of functions that marketing performs. If you look at the remaining three options as well, selling does not pertain to either option B or C. Thus, the right option is A.

## 2.3 Roles of Marketing

The first role of marketing is that it stimulates potential aggregate demand and thus, enlarges the size of the market. You might ask, how does it help in the economic growth of a country? The answer is that through stimulation of demand people are motivated to work harder and earn additional money (income) to buy the various ideas, goods and services being marketed. An additional advantage which accrues in the above context is that it accelerates the process of monetizing the economy, which in turn facilitates the transfer of investible resources.

Another important role which marketing plays is that it helps in the discovery of entrepreneurial talent. Peter Drucker, a celebrated writer in the field of Management, makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs. It helps in sustaining and improving the existing levels of employment. You may ask: how does it happen? The answer is that when a country advances economically, it takes more and more people to distribute goods and proportionately a lesser number to make them. This means that from the employment point of view, production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance and so on, which spring around it.

### ITQ

#### Question

Which of the following is not a role of marketing?

- a. It helps in the discovery of entrepreneurial talents..
- b. It helps in the stimulation of the economy.
- c. It helps in reducing poverty in the land.
- d. It helps in the provision of job opportunities.

#### Feedback

If you recall what we studied in this session, of all the options provided to this question, option A, B, and D are roles of marketing. However, option C is odd.

## Study Session Summary



### Summary

In this Study Session, you have learnt the history, functions and role of marketing in the society. Now you know why marketing is important in the society and why it is studied as a course.

## Assessment



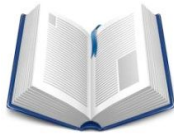
### Assessment

**SAQ 2.1 (tests Learning Outcome 2.1, 2.2 and 2.3)**  
Discuss the history, functions, and role of marketing.



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## Bibliography



### Reading

Kotler, P. and Keller, K. L. (2006). *Marketing Management*. 12<sup>th</sup> Edition. New Jersey: Pearson Prentice Hall.

Cheverton, P. (2004). *Key Marketing Skills: strategies, tools and techniques for marketing success*. London: Kogan Page Limited.

Gosnay, R. and Richardson, N. (2008). *Develop Your Marketing Skills*. London: Kogan Page Limited.

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## Study Session 3

# Concepts of Market, Marketer, Prospect, Exchange and Transaction

## Introduction

There are major conditions necessary for marketing: the market, the marketer, and the prospect must be present. What follows is the transaction and the exchange. In this Study Session, you will be exposed to these important concepts.

## Learning Outcomes



Outcomes

When you have studied this session, you should be able to:

- 3.1 *define* market
- 3.2 *differentiate* between marketer and prospect as well as exchange and transaction

## Terminology

<b>Marketer</b>	A person whose duties include the identification of the goods and services desired by a set of consumers, as well as the marketing of those goods and services on behalf of a company.
<b>Demand</b>	How many goods and services are bought at various prices during a certain period of time.

### 3.1 Defining a Market

A market is defined as a set of all actual and potential buyers of a product and service. These buyers share particular needs or wants that can be satisfied through exchange. The size of a market depends on the need of people with common needs and has resources to engage in exchange, and is willing to offer these resources in exchange for what they want. In

addition, a market can be defined as a group of people with needs to satisfy, money to spend and willingness to spend it.

Originally, the term 'market' stood for the physical place where buyers and sellers gathered to exchange their goods, such as a village square. However, economists often use the term to refer to a collection of buyers and sellers who transact in a particular product class, such as clothing market electronic market, cattle market and so on. The different types of market include resource market, manufacturer market, consumer market, government market and intermediary market.

**Figure 3.1 Physical Market**



ITQ

**Question**

A market cannot be virtual. TRUE/FALSE.

**Feedback**

This statement is false. This is because a market can be virtual as well as actual. In other words, a market need not be a physical place. For instance, a buyer and seller who made their transaction on phone or online have a virtual market.

Figure 3.2 Online Market

## 3.2 Marketer and Prospect

A marketer is someone seeking a resource from someone else and willing to offer something of value in exchange. A marketer could be a buyer and a seller. In other words, a marketer is a person who seeks a response from another called a prospect. They are both referred to marketers if the two parties are seeking to sell something to each other. Marketers are skilled in stimulating demand for a company's products or services, as they are also responsible for demand management. They seek to influence the level, timing and composition of demand to meet the organisation's objectives. They must also identify the causes of demand state and determine a plan for action to shift the demand to a more desired state.

### 3.2.1 Exchange and Transaction

Marketing takes place when people decide to satisfy needs and wants through exchange. The core concept of marketing is exchange. Therefore, exchange is the act of obtaining a desired object from someone by offering something in return. Exchange is only one of the many ways people can obtain a desired object. For example, hungry people can find food by hunting, fishing or gathering fruits. They could offer money, another food or a service in return for food. Marketing focuses on this last option. As a means of satisfying needs, exchange has a lot to offer. People do not have to depend on others, nor must they possess the skills to produce every necessity for themselves. They can concentrate on making things they are good at in exchange for the needed

items made by others. Thus, exchange allows a society to produce much more than it would.

However, for exchange to take place, it must satisfy five conditions:

1. There are at least two parties.
2. Each party has something that might be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the offer.
5. Each party believes it is appropriate or desirable to deal with the other party.

When two parties engage in exchange by negotiating and trying to arrive at mutually agreeable terms and when they reach an agreement eventually, it means a transaction has taken place. Therefore, a transaction is a trade of values between two or more parties. For instance, A offers X to B and receives Y in return. A transaction involves several activities such as at least two things of value, agreed upon conditions, a time of agreement and a place of agreement. Though transfer can be better understood through the concept of exchange, transfer happens when a party gives something to another party without something in return. Gifts, subsidies and charitable contributions are all transfers.

### ITQ

#### Question

All but one of the following is not a condition for exchange to take place.

- a. There are at least two parties.
- b. One of the parties must not have the freedom to accept or reject the offer.
- c. Each party has something that might be of value to the other party.
- d. There is freedom to accept or reject the offer.

#### Feedback

Let us take a good look at each of the options without doubt and from what we have studied in this segment, for an exchange to take place, there must be at least two parties, each party must have something of value to benefit the other, and each must have the freedom to accept or reject an offer made. What this means is that options A, C, and D are actually conditions to be met for an exchange to take place. Option B is the odd item.

## Study Session Summary



In this Study Session, you have been taught the concepts of market, marketer, prospect, exchange and transaction. Also, you have been taught that transaction is a trade of values between two or more parties,

**Summary**

and a marketer is someone seeking a resource from someone else and willing to offer something of value in exchange.

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## Assessment



**Assessment**

**SAQ 3.1 (tests Learning Outcome 3.1 and 3.2)**

Write short notes on the following: Market, Marketer, Prospect, Exchange, and Transaction.

---

## Bibliography



**Reading**

Kotler, P. and Keller, K. L. (2006). *Marketing Management*. 12<sup>th</sup> Edition. New Jersey: Pearson Prentice Hall.

Gosnay, R. and Richardson, N. (2008). *Develop Your Marketing Skills*. London: Kogan Page Limited.

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## Study Session 4

# Marketing Environment

## Introduction

There are people, situations and activities that affect or influence marketing. These are called marketing environments. These are broadly classified into micro and macro environments. All these will form the bases of our discussions in this Study Session.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 4.1 *explain* the meaning of the term 'marketing environments'
- 4.2 *distinguish* between micro and macro environment
- 4.3 *discuss* the rationale for conducting SWOT Analysis for an Organisation

## Terminology

<b>SWOT</b>	A basic, analytical framework that assesses what an entity (usually a business, though it can be used for a place, industry or product) can and cannot do, for factors both internal (the strengths and weaknesses) as well as external (the potential opportunities and threats).
<b>Market environment</b>	The collection of non-marketing influences that have an impact on a marketing manager's success in forming and keeping favorable relationships with desirable customers.

## 4.1 Defining Marketing Environments

Marketing environment refers to the peculiar situation or frame of reference under which marketing activities are carried out. Moreover, it has been seen as the factors and forces outside marketing that affect marketing management's ability to develop and maintain successful relationship with its target consumers. The changes in the marketing environment are sources of opportunities and threats to the well-being of the organisation. The marketing environment consists of three components. They are also called sub-environments, which include micro-environment, market environment, and macro-environment. Each of these sub-environments consists of variables which can influence an enterprise, its workers and their families.

**ITQ**

**Question**

The marketing environment consists of ---- components.

- a) 2
- b) 3
- c) 4
- d) 5

Feedback

Can you still recall what you learnt in this segment? Good! The marketing environment has three components. The right option is B.

## 4.2 Micro Environment versus Macro Environment

The chart below shows the market environments

**Figure 4.1 Market Environment**



Now, let us consider the differences between a micro and macro environment in marketing.

### 4.2.1 Micro Environment

The micro-environment of an organisation refers to all the activities that are executed by that organisation. So it must perform diverse activities in



order to function properly and to attain the profit objectives that have been decided on. To put this into a clearer perspective, let us look at Muniru Barbing Saloon Shop in Bodija Market, Ibadan. Incidentally, Muniru employs two permanent workers. His rent per month is ₦2,000.00. He must pay ₦1000.00 per month on the two workers. Also, he must service his equipment with ₦500.00 every month. Within these limitations of the micro-environment, Muniru must fulfill his commitments and still earn enough to make a living for himself and her two children!

This example illustrates the influence of the micro-environment on the business and shows that Muniru can control most of the activities which are part of the micro-environment (e.g. he may decide to employ less staff or to move to cheaper premises). These variables in the micro-environment must all be managed by Muniru to ensure success. These variables are also known as controllable variables. These variables are also called factors. This consists of factors that are close to the organisation and may affect its ability to serve its customers. They include:

1. Consumers: These are the people buying your organization's products and services. Identifying the target market for your product or service is therefore one of the most important management activities to be undertaken by management.
2. Competitors: They are a natural part of a capitalistic society. You are accustomed to the fact that various competitors compete for your money in the case of most products and services. The example of Toyota and the competitive environment in which it operates illustrates this point.
3. Intermediaries: The question of the gaps that exist between the manufacturer and the final consumer was addressed initially. Intermediaries such as wholesalers and retailers evolved to bridge the gap between the manufacturer and the supplier. New developments in this field constitute opportunities for, or threats to, certain organisations operating in this particular industry. One such example is the development of convenience shops at petrol filling stations and the resultant threat to the traditional convenience stores, such as cafes, in Nigeria.
4. Suppliers: An organisation is dependent on suppliers to run its business. One such example of a supplier is the supplier of capital to an organisation. Traditionally, the commercial banks are the suppliers of capital to small and medium businesses. Listed companies such as Nigerian Bottling Company, makers of Coca cola have an additional supply of capital provided by their shareholders.
5. Employees: They are a key component of publics, hence worthy of closer consideration. Organisations must always remember the people who work for and with them. Without their effort, skill and knowledge there would not have been any organisation. So, these organisations have just as much responsibility to respect and value their employees and form trustworthy relationships with them as they do with their suppliers and distributors. Hundreds of studies have shown the benefits can be gained from treating staff well. Employees are consistently one of the best sources of new ideas and information.

This is unfortunately an aspect that many managers fail to recognize to the extent that they should.

### ITQ

#### Question

----- is not part of the micro-environment of a marketing environment.

- a. Government policies
- b. Suppliers
- c. Intermediaries
- d. competitors

#### Feedback

What option did you choose? From what has been studied in this session, options B, C, and D are all part of the microenvironment. The odd item is A.

## 4.2.2 Macro Environment

The macro environment is perhaps the most feared by businesses as it consists of a set of uncontrollable factors that are external to the organisation. It is important to realize that the organisation operates within a wider macro-environment, in which variables directly or indirectly influence the organisation and its market environment. The organisation cannot always control these variables and they must be continually evaluated to ensure that potential opportunities or threats are correctly identified. The following six factors in the macro-environment may either individually, or together, affect the enterprise at any time.

1. The Technological Environment: This environment is affected by innovation and change. For example, new manufacturing processes and new technology may influence the type and quality of clothing being sold by wholesalers and retailers in Nigeria. One needs only to think of the new types of material available, such as those combining natural and synthetic fibers to create crease-resistant material.
2. The Economic Environment: This variable is well known to everyone. An increase in the inflation rate changes in the exchange rate and a higher rate of personal income tax are examples of how the economic environment may influence wholesales and retails in Nigeria.
3. The Social Environment: Social changes are prevalent throughout the world and Nigeria in particular. A decline in the population growth rate may eventually have a negative impact on sales of trendy imported clothing in the affected market. The changing role of women in society is a factor. For instance, more women are now in full-time position and more career women are experienced in this democratic dispensation. To add to the complexity of the task facing marketing executives, cultural patterns such as lifestyles, beliefs, norms, values, folkways and so on are changing faster than they used to. Therefore, management must be on the alert to them.
4. The Natural or Physical Environment: This variable is of great concern to people all over the world. For example, scarce resources

are utilized in the packaging of clothing and wastage of packaging material must be of concern to any organisation.

5. The political/governmental, also called Institutional Environment: This factor in the macro-environment would be of particular concern to any organisation. One example of the effects of this factor would be surcharges on imported goods. This would have a direct influence on the selling price of the goods sold in Nigeria. Other variables include general and fiscal policies.

### ITQ

#### Question

----- is part of the macro-environment of a marketing environment.

- a. Government policies
- b. Suppliers
- c. Intermediaries
- d. competitors

#### Feedback

What option did you choose? From what has been studied in this session, options B, C, and D are all part of the micro-environment. It is only option A that is part of the macro-environment.

## 4.3 Analyzing the Market Environments

There are many ways of analyzing the market environment. In this section, we will take a look at a few of them.

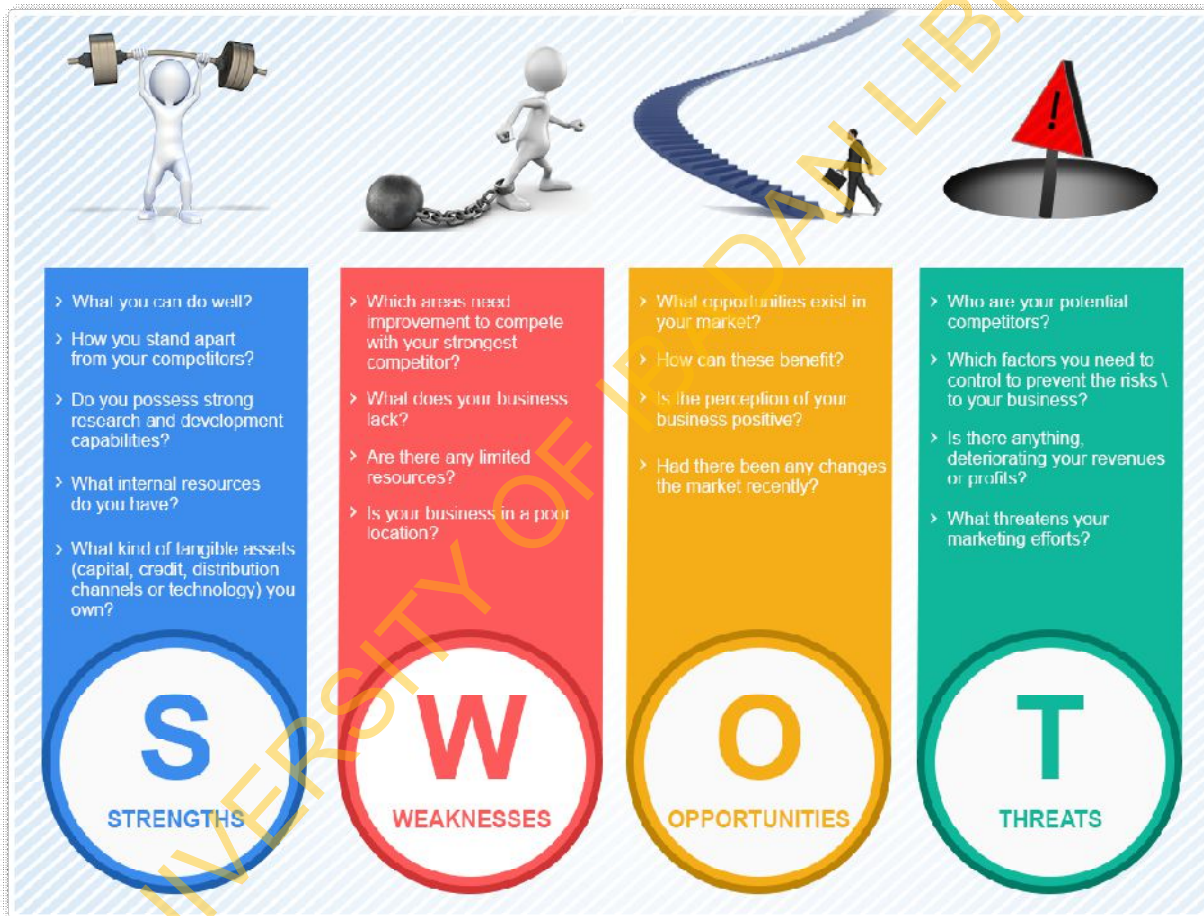
### 4.3.1 Conducting SWOT Analysis for an Organisation

Executing a SWOT analysis is a must for any organisation that wants to be successful in the business world. The following self-assessment exercise will help to familiarize you with the elements of the SWOT analysis. In order to ensure the success of an organisation, the management must take a careful look at the marketing environment. This can be done by means of a SWOT analysis. This means that the organization's strengths and weaknesses must be identified, as well as the opportunities and threats that exist in the environment.

Strengths may include specialized management skills, a productive and well-trained workforce, enough capital, and so on. Weaknesses within the micro environment may include an obsolete product range, unacceptable levels of pilferage and lack of capital. Lack of capital is one of the major problems experienced by small and medium enterprises (SMEs) in Nigeria. One of the greatest strengths of SMEs is their management adaptability to a changing business environment. Hawkers selling groceries in the major towns and cities of Nigeria are able to adapt to changes in consumer demand almost immediately, whereas the village seller for example, would take longer to do so.

Opportunities for the organisation can be found in the market and macro-environment. For instance, look around you and you will see that there has literally been an explosion of fast-food businesses in Nigeria. It would therefore seem that quite a number of budding entrepreneurs in Nigeria have identified opportunities in this sector. Threats are also found in the market and macro-environment. For example, a drastic fall in the Naira/dollar exchange rate is a threat to importers of luxury goods such as cars. At the same time such a decline may be seen as an opportunity for exporters of Nigerian products to African countries, European Union and the USA. They will be able to obtain a higher price in naira for their products.

Figure 4.2 Swot Analysis|kvrnsingapore.com



**ITQ**

**Question**

SWOT means

- Strengths, whereabouts, organization, testimonies
- Strengths, weaknesses, organizations, threats

- c. Strengths, weaknesses, opportunities, threats
- d. Strengths, whereabouts, opportunities, threats.

**Feedback**

You need to be careful as the options can look as if they are the same but they are not. The S in SWOT represents Strengths; W for Weaknesses; O for Opportunities; and T for Threats. The right option is C.

---

## Study Session Summary



**Summary**

In this Study Session, you have been taught marketing environment such as micro environment and macro environment. Also, we were able to emphasize that a good SWOT analysis of the factors of these environments and how they affect marketing must be periodically conducted.

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## Assessment



**Assessment**

**SAQ 4.1 (Tests learning outcomes 4.1 and 4.2)**

How are the microenvironment and macro-environment important to the marketing environment?

**SAQ 4.2 (Tests learning outcome 4.4)**

Do a SWOT analysis of an SME around you.

---

## Bibliography



**Reading**

Kotler, P. and Keller, K. L. (2006). *Marketing Management*. 12<sup>th</sup> Edition. New Jersey: Pearson Prentice Hall.

Gosnay, R. and Richardson, N. (2008). *Develop Your Marketing Skills*. London: Kogan Page Limited.

## Study Session 5

# Market Segmentation

## Introduction

This Study Session will expose you to meaning and benefits of market segmentation. In addition, to be discussed in the course of this discourse is the prerequisites of effective market segmentation. We will cap of our discussion with the fundamental bases for market segmentation.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 5.1 *explain* the concept of market segmentation;
- 5.2 *discuss* the benefits of market segmentation;
- 5.3 *point* out the conditions for effective market segmentation
- 5.4 *establish* bases for market segmentation

## Terminology

<b>Segmentation</b>	Division into separate parts or sections.
<b>Market segmentation</b>	The process of dividing an entire market up into different customer segments.

## 5.1 Concept of Segment

There is no doubt that previous discussion has helped you to understand what the term 'market' means. On the basis of market definition given earlier therefore, you recall that buyers in the same market seek products for broadly the same function. However, different buyers have different evaluative criteria about what constitutes the right choice for performing the function. As a consequence, different offerings will attract different buyers. This forces marketers to segment their markets.

### 5.1.1 Market Segmentation

To understand market segmentation, you need to know its foundation: mass marketing. The idea of mass marketing is when sellers engage in the mass production, mass distribution and mass promotion certain products for all buyers. This method is said to create the largest potential market, which leads to the lowest costs, which in turn can lead to lower prices or

higher margins. The argument against it is that it creates unnecessary proliferation of advertising media and distribution channels. Henry Ford's Model-T Ford and Coca-Cola exemplified the idea of mass marketing a lot.

Therefore, a market segment consists of a group of customers who share a similar set of needs and wants. Market segments refer to the sub-classes of the market reflecting sub-classes of wants and the process of conceptually distinguishing segments is known as 'Market Segmentation'. Segmentation is a midpoint between mass marketing and individual marketing. Market segmentation is a customer-oriented philosophy. The consumers belonging to a segment are assumed to be quite similar in their wants and needs; yet, they are not identical. Some segment members will want additional features or benefits not included in the offer, while others would gladly give up something that they don't want very much. For instance, in buying a car, some consumers may buy those windows with manual winders, while others may reject them. Again, in a hotel, some may want to find more items in their room(s), such as fan, machine, cable TV, etc. while others may prefer fewer amenities and a lower price.

Incidentally, most organisations have now turned to micromarketing, which consists of segment, niches, local areas and individuals. First, niche marketing is a group of customers that has a distinct set of needs and pays a premium to the organisation that best satisfies their needs. Niche market is small and attracts one or two customers. It gains advantage through specialization and does not attract other competitors. Local marketing called grassroots marketing is experiential marketing which promotes a product or service not just by communicating its features and benefits, but by also connecting it with unique and interesting experiences. This marketing level concentrates on getting as close and personally relevant to individual customers as possible.

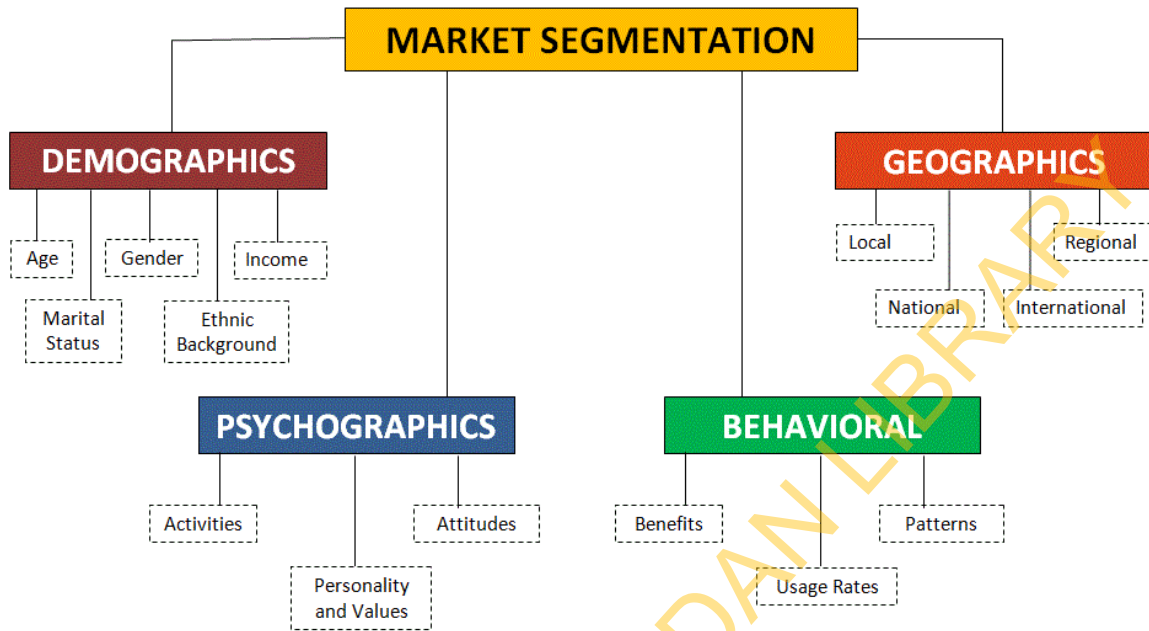
Thirdly, individual market, or customization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice. Customers now determine what and how to purchase their products and services. Most of the Internet buying falls in this category. An organisation is customaries when it is able to responsible to individual customers by customizing its products, services and messages on a one-to-one basis.



**Tip**

Marketing segmentation means subdividing a market based on similarity, commonality. segmentation basically is done to segment the target market and thus focus on the targets depending on their needs and requirements and also to get advantage over the competitors of that segment.

Figure 5.1 Market Segmentation | kitkatmarketing.blogspot.com.ng



We will discuss these segments extensively in Section Four of this Session.

**ITQ**

**Question**

----- is not part of the core of mass marketing.

- mass production
- mass distribution
- mass promotion
- mass consumption

**Feedback**

What option did you choose? From what has been studied in this session, options A, B, and C are all part of the core of mass marketing. It is only option D that is odd.

## 5.2 Benefits of Market Segmentation

Segment marketing offers several benefits, which include the following:

1. The company can create a more fine-tuned product or service offer and price it appropriately for the target audience.
2. The choice of distribution channels and communication channels becomes much easier.
3. Such a company may face few competitors if fewer competitors are focusing on this market segment.



4. Segmentation helps a company to exploit its market better by selecting market niches (suitable segments) that are compatible with its resources.
5. Segmentation helps in focusing strategies more sharply on target groups.
6. Segmentation is more likely to result in instilling customers' loyalty since the firm's offering is better matched to those in the segment.
7. Segmentation leads to an enhanced understanding of the market dynamics, particularly the notion of the market chain running right through to the end consumer.
8. Segmentation leads to an enhanced understanding of competitor strengths (the competition will differ by segment), and so the opportunities for competitive advantage.
9. Segmentation leads to greater understanding of the needs, attitudes and behaviours of customers.
10. Segmentation leads to a better chance that you will see how to develop the capabilities of your business in order to match those needs.
11. Segmentation leads to a basis for organizing and structuring your business – focusing the whole supply chain on the customer.
12. Segmentation leads to improving your ability to manage the marketing mix in a customer- focused way.
13. Segmentation leads to enhancing your opportunity to add value, gain competitive advantage, and build barriers to entry for competitors or substitutes.
14. Segmentation leads to enhancing your opportunity to create, maintain and defend price premiums.

#### ITQ

##### Question

----- is not a benefit of market segmentation.

- a. It helps in making the choice of distribution channels and communication channels become much easier.
- b. It makes it easier for the business to go under or fail
- c. It helps in focusing strategies more sharply on target groups
- d. It leads to greater understanding of the needs, attitudes and behaviours of customers.

##### Feedback

What option did you choose? From what has been studied in this segment, options A, C, and D are all benefits of market segmentation. It is only option B that is odd.

## 5.3 Conditions for Effective Market Segmentation

Truly, there are many ways to segment a market but not all segmentations are effective. However, to be useful, market segments must have the following characteristics:

### 5.3.1 Measurability

The size, purchasing power and profiles of the segments should be measurable. However, certain segmentation variables are difficult to measure. For example, Kotler (1997) reported that there were 24 million left-handed people in the United States – almost equaling the entire population of Canada. Yet few products were targeted towards this segment. The major problem may be that the segment is hard to identify and measure.

### 5.3.2 Accessibility

The market segments should be effectively reached and served. Suppose a perfume company finds that heavy users of its brand are single men, who stay out late and socialize a lot. Unless this group lives or shops at certain places and exposed to certain media, its members will be difficult to reach.

### 5.3.3 Substitutability

The market segments should be large or profitable enough to be served. A segment should be the largest possible homogeneous group worth pursuing with tailored marketing programs.

### 5.3.4 Actionability

Effective programs should be designed in order to be attractive and to serve the segment(s) better.

#### ITQ

#### Question

----- is not a condition for effective market segmentation.

- Tangibility
- Substitutability
- Measurability
- Accessibility

#### Feedback

Which of the options did you choose? Good! From what has been studied in this segment, options B, C, and D are conditions of an effective market segmentation. However, option A that is odd.

## 5.4 Bases for Consumer Segmentation

The bases for segmenting consumer markets are explained below.

### 5.4.1 Geographical Segmentation

Geographical segmentation calls for dividing the market into different geographical units such as nations, states, regions, countries, cities or neighborhoods. A company may decide to operate in one or a few

geographical areas, or to operate in all areas but pay attention to geographical differences in needs and wants. Many companies today are regionalizing their marketing programs – localizing their products, advertising, promotion, and sales efforts to fit the needs of individual regions, cities, and even neighborhoods. Coca-Cola and Pepsi cola uses this method for their products.

### **5.4.2 Demographic Segmentation**

This consists of dividing the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race and nationality. Demographic factors are the most popular bases for segmenting customer groups. One reason is that consumer needs, wants, and usage rates often vary closely with demographic variables. Another is that demographic variables are easier to measure than most other types of variables. Even when market segments are first defined using other bases, such as personality or behaviour, their demographic characteristics must be known in order to assess the size of the target market and to reach it efficiently.

### **5.4.3 Age and Life Cycle Stage**

Consumer needs and wants change with age. Some companies, for example, use age and life cycle segmentation, offering different products or using different marketing approaches for different age and life cycle groups. Marketers must, however, be careful to guard against stereotypes when using age and life cycle segmentation. For example, a seventy-year old man might be in wheel chair, while another might be in the tennis court(s). Other elements are gender, income, etc.

### **5.4.4 Psychographic Segmentation**

This involves dividing buyers into different groups based on social class, life styles or personality characteristics. People in the same demographic group can have very different psychographic make-ups such as:

1. Social Class – Many companies design products or services for specific social classes, building in features that appeal to these classes. Wristwatches, clothing and so on are good examples of this.
2. Lifestyle – People’s interest in various goods is affected by their lifestyles and the goods they buy express those lifestyles. Examples of this are films, books, magazines and so on.
3. Personality – Marketers also use personality variables to segment markets, giving their products personalities that correspond to consumer personalities. Successful market segmentation strategies based on personality have been used for products such as cosmetics, cigarettes, insurance and liquor.

### **5.4.5 Behavioural Segmentation**

This involves dividing buyers into groups based on their knowledge, attitudes, uses, or responses to a product. Many marketers believe that behavioural variables are the best starting point for building market segments.

1. Occasions – Buyers can be grouped according to occasions when they get the idea to buy, actually make their purchase, or use the purchased item. Occasion segmentation can help firms build up product usage. An hotelier can use this variable for his/her hotel rooms.
2. Benefits Sought – A powerful form of segmentation is to group buyers according to the different benefits that they seek from the product. Benefit segmentation requires finding the major benefits people look for in the product class, and the kinds of people who look for each benefit. Colgate Palmolive for example, used benefit segmentation to reposition its Irish spring soap. Others are Close-Up, Maclean, Beauty soap, Dettol soap, Delta soap and so on. Others could be flower and product appearance, brightness and so on.
3. User Status – Markets can be segmented into groups of non-users, ex-users, potential users, first-time users, and regular users of a product. You should know that potential and regular users may require different kinds of marketing appeals.
4. Usage Rate – Markets can also be segmented into light, medium, and heavy-user groups. Industrial products are easily classified under this, such as: salt, starch, sugar, cement, roofing sheets and so on.
5. Attitude Towards Product – People in a market can be enthusiastic, positive, indifferent, negative or hostile about a product. These are variables of behavioural segmentation.

### ITQ

#### Question

When you divide the market into groups based on variables such as age, gender, family size, family life cycle, among other things, it is called

- a. Geographical segmentation
- b. Psychographic segmentation
- c. Demographic segmentation
- d. Behavioural segmentation

#### Feedback

If you recall what has been studied in this segment, you will agree that the list in the question do not pertain to any of geographical, psychographic, or behavioural segmentation. Rather, they appeal to demographic segmentation. The right option is C.

## Study Session Summary



### Summary

In this Study Session, we looked market segmentation. We started by explaining what segmentation is. Thereafter, we were able to apply the concept of segmentation to the market. We then discussed the benefits of market segmentation. Moving on, we highlighted some conditions which are necessary for effective market segmentation. Lastly, we explained the basis for customer segmentation.

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## Assessment



### Assessment

#### SAQ 5.1 (Tests learning outcomes 5.1 and 5.2)

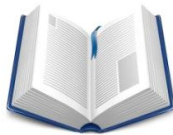
Explain the meaning of market segmentation and its benefits

#### SAQ 5.1 (Tests learning outcomes 5.1 and 5.2)

What is the bases and conditions for an effective segmentation.

---

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## Study Session 6

# Marketing Mix

## Introduction

The essence of this Study Session is to equip you with in-depth understanding of what a marketing mix is. In the course of our discussion, you will be exposed to the four Ps and also examine the relevance of pricing and advertising in marketing mix

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 6.1 *explain* the meaning of marketing mix.
- 6.2 *discuss* the four Ps and the extended marketing mix;
- 6.3 *describe* the roles of pricing and advertising in marketing mix

## Terminology

<b>Marketing mix</b>	A combination of factors that can be controlled by a company to influence consumers to purchase its products.
<b>Advertisement</b>	A notice or announcement in a public medium promoting a product, service, or event.

## 6.1 Overview of Marketing Mix

As soon as an organisation has decided on its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix. The marketing mix is one of the major concepts in modern marketing. Marketing mix is defined as the set of controllable, tactical marketing tools that the firm blends together to produce the response it wants in the target market. In other words, the marketing mix consists of everything the firm can do to influence the demand for its product. It is also described as the combination of the four inputs that constitute the core of a company's marketing system: the product, the price, place and the promotion.

However, it should be noted that the four ingredients in the mix are interrelated. In addition, the decisions in one area usually affect action in the others. For instance, a company may market one product or several related or unrelated products. It therefore implies that management must select the combination that will best adapt to the environment. In essence,

management is seeking the mix that will lead to the optimal synergistic results.

**ITQ**

**Question**

The four inputs into the marketing mix are -----.

**Feedback**

This question aims to know if you are truly following this discussion. The four inputs are the product, the price, place and the promotion.

## 6.2 Four Ps and Extended Marketing Mix

Figure 6.1 Four Ps (Marketing Mix)



The four Ps of marketing are explained below:

### 6.2.1 The Product

Product means the goods and services' combination the company offers to the target market. Therefore, a product, service or idea may be defined as something which is given to consumers in exchange for a price. Managing the product ingredients includes planning and developing the right products and/or services to be marketed by the company. Guidelines are needed for changing existing products, adding new ones, and taking other actions that affect the assortment of products carried. Activities related to a product, service or idea include the following: quality, features, style, brand name, packaging, sizes, services, warranties, returns and so on.

Research and experience in the marketplace have indicated that a marketer should treat the product as a bundle of satisfaction offered to consumers rather than as a physical item. This is so, because consumers really seek satisfaction of their needs and desires rather than physical products. For example, the purchaser of a refrigerator wants trouble-free operation, space, convenience, an aesthetic design rather than just a refrigerator cabinet and motor. Also, the buyer of a wristwatch wants accurate timing, reliability, status, attractive design and no maintenance, not merely pieces of metal, plastic, and glass. Therefore, marketers who view the product as a bundle of satisfaction are able to fulfil their mission of servicing the consumer, and can benefit accordingly through increased sales.

### ITQ

#### Question

Marketplace research holds that a marketer should treat the product as less of a bundle of satisfaction offered to consumers and more as a physical item. TRUE/FALSE.

#### Feedback

This statement is false. This is because a marketer is even expected to take the product as a bundle offered to consumers and not as a physical item.

## 6.2.2 The Price

Price is defined as the amount of money that consumers must pay in exchange for the product, service or idea. Generally, marketers consider the following factors in setting prices:

1. Target customers: How much they will buy at various prices, in other words, price elasticity of demand.
2. Cost: How much it costs to produce and market the product i.e. both production and distribution costs.
3. Competition: Severe competition may indicate a lower price than when there is monopoly or little
4. competition.
5. The Law: Government authorities place numerous restrictions on pricing activities.
6. Social Responsibility: Pricing affects many parties, including employees, shareholders and the public at large. These should be considered while pricing.

### ITQ

#### Question

---- is not considered in setting the price of a product.

- a. Competition
- b. Cost of production
- c. The name of the product
- d. Social responsibility



### Feedback

Which of the options did you choose? Good! If you chose C, then you are right. From what has been studied in this segment, options A, B, and D are conditions to consider in fixing the price of a product.

## 6.2.3 The Place

Basically, place or distribution activities are used to transfer ownership to consumers and to place products, services or ideas at the right time and place. Distribution is made up of two components: (1) physical distribution, and (2) channels of distribution.

1. Physical Distribution: Consists of the activities involved in moving products or services from producer to consumer. Examples include:
2. (1) Transportation (2) Warehousing and storage (3) Order processing (4) Inventory control (5) Location.
3. Often, the objective of physical distribution is to move goods to consumers at minimum cost. The physical distribution network should be oriented towards the needs and desires of target consumers.
4. The Channels of Distribution: Those routes through which the ownership of goods, services and ideas flows on the way from producer to consumer.

In establishing channels of distribution, marketers should decide which marketing functions are needed in order to satisfy target consumers, and then determine which institution (such as wholesalers and retailers or the manufacturer himself) can best perform these functions. The overall objective is to maximize service to the consumer at a profit to the marketer.

## 6.2.4 The Promotion

Promotional activities consist of various means of communicating persuasively with the target audience. The important promotional methods are:

1. Advertising – where an identified sponsor pays media (NTA, for instance) to transmit messages to target consumers.
2. Personal selling – where sales representatives employed by the firm engage in interpersonal communications with individual consumers and prospective customers.
3. Sales promotion – where the marketer utilizes displays, demonstrations, premiums, contests, or similar devices to supplement advertising and personal selling.
4. Publicity and public relations – where both publicity and public relations are used to stimulate supportive news items about the firm and its products that have greater credibility with the public than advertising.

Like other elements of the marketing mix, promotion should be aimed at the target audience rather than at consumers at large. If target consumers are in the upper income group, promotional messages for, say, colour TV sets might highlight movies such as status, and prestige associated with

owning a colour television, whereas if they are in the lower-income group, the price of a model might be emphasized. If target consumers tend to be highly educated, promotion messages should be more sophisticated than when target consumers have low levels of education. Failure to consider the unique characteristics of the target consumer can result in ineffective promotional efforts.

### ITQ

#### Question

---- is not a condition promotional method for a product.

- a. Transportation
- b. Personal selling
- c. Publicity
- d. Advertising

#### Feedback

Which of the options did you choose? Good! Options B, C, and D are promotion methods for a product while option A is not. Option A that is odd.

## 6.3 New Product Development and Marketing Mix

The product is one component of the marketing mix and is usually the core part, so the product is developed first. However, there are occasions when the product is designed to fit some other components of the mix. For example, the product may be developed to fit a price range, an image slot or a channel. Yet you must not forget that the various elements of a marketing mix are conceptually interconnected to meet some want and so there must be a procedural interconnection in designing the various components.

In drawing up a tentative marketing mix as part of any new product development program, you should first consider the element of promotion. It is a key consideration when the want is likely to be latent or passive for the majority of the members of the target market. In general terms, the motivation to buy is based preferably on some core advantage and the benefits that might be stressed in the advertising copy or sales appeal.

In the case of pricing, price can be important not just in terms of cost to the consumer, but as contributing to the image of the product. Pricing needs to be considered in relation to both the buying inducement and the rest of the offering or mix. Finally, the role of a distribution strategy in new product development should not be underestimated. It should, however, be noted that if distribution i.e. availability in the target market cannot be assured, all other things will fail. Hence, the role which distribution channels are expected to play must be investigated at the earliest stage possible.

You must not, however, forget the overall important fact emphasized earlier that all elements of the marketing mix such as promotion, pricing, place, people, process, product and physical evidence strategies need to be brought together and coordinated in the overall marketing mix.

## 6.4 Roles of Pricing and Advertising in Marketing Mix

When it comes to advertising, only a few firms directly compete with one another in the same target market most often. Economists call such a situation an oligopolistic situation. In this type of situation, many firms prefer to increase their share by increasing demand through advertising rather than by reducing prices. The question that arises is – why do firms prefer such a strategy? The reason is that building up an image through advertising can be more difficult to match than a price cut. The assumption behind this preferred approach is that the firm can achieve a competitive edge in advertising and that it does not possess such a large cost advantage over competition as to make price cutting an attractive pre-empting strategy. On the other hand, pricing may be the major element in the marketing mix. Pricing decisions should be carefully coordinated with decisions on product, promotion and distribution. For example, the luxury segments of consumer markets suggest a quality, branded product, extra-touches, high class outlets, appeals and media that capture the luxury image and a high price to match.

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### Study Session Summary



Summary

In this Study Session, you have been taught the four Ps which are product, promotion, price, place and roles of pricing and advertising in marketing mix.

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### Assessment



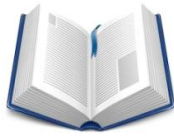
Assessment

**SAQ 6.1 (Tests learning outcomes 6.1, 6.2, 6.3 and 6.4)**

What role does advertising and pricing play in the marketing mix.

---

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# Study Session 7

## Product

### Introduction

Businesses are set up to produce products or goods and services. These products are sold to members of the society for money. This Study Session is therefore prepared to introduce you to various definitions of a product, classification of products and their characteristics.

### Learning Outcomes



Outcomes

When you have studied this session, you should be able to:

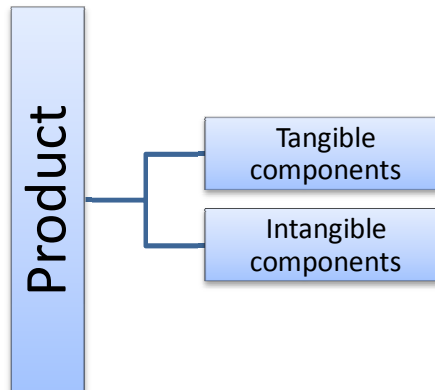
- 7.1 *explain* the meaning of product
- 7.2 *discuss* product classification

### Terminology

<b>product</b>	A good, idea, method, information, object or service created as a result of a process and serves a need or satisfies a want.
<b>Product classification</b>	The organization of goods or services according to some exhibited characteristic or set of characteristics.

### 7.1 Definition of Product

A product consists of two key components: tangible and intangible factors. These are factors that can be seen and/or touched such as its physical features. There are also intangible factors, which comprise the power and strength of the brand, quality of the materials, customer care and so on. Then, you should realize that identifying these two components can be difficult because the emphasis placed on them differs from product to product. In order to be effective at selling or marketing, you need to have a proper perspective of the meaning of a product or how it should be viewed from a marketing angle. Ordinarily, a product has been defined as anything that can be offered to a market to satisfy a want or need. Products comprise physical goods, services, experiences, events, persons, places, properties, organisations, information and ideas.

**Figure 7.1 Essential Components of a Product**

A product is the key marketing mix variable on which all the other marketing mix variables revolve. It cannot be divested from other marketing mix variables because all of them contribute to form the images of the product from the point of view of the buyers. These images determine the values and satisfaction expected from a given product and how much the buyers will offer for it. It is therefore important for the manufacturers and marketers to understand what a product means to consumers and their expectations from that product.

### ITQ

#### Question

An experience is a product. TRUE/FALSE.

#### Feedback

Given the definition of product that we have given you so far in this course, an experience is a product.

### 7.1.1 Levels of Product

When you prepare your market planning, you need to address five product levels.

1. **The Core Benefits:** This is the fundamental service of the product. It is the fundamental service or benefit that the customer is really buying. Marketers must see themselves as benefit providers. For instance, the core benefit enjoyed by a guest in a hotel is rest and sleep. The core product usually refers to the actual benefit the customer derives from consuming the product, for example, the core benefit for anybody purchasing a new car is transport.
2. **The Basic Product:** Here, marketers have to turn the core benefit into a basic product. For example, in the case of the hotel, such things as a bed, table, chair, bathroom, and dresser are the basic products enjoyed by a guest in the hotel.
3. **The Expected Product:** Here, marketers prepare an expected product, i.e. a set of attributes and conditions buyers normally expect when they purchase a product. For example, in a hotel, guests expect a

clean bed, fresh towels, constant power supply, and a relatively quiet environment.

4. **Augment Product:** Marketers are concerned with preparing augmented products that exceed customers' expectations. For example, a hotel may have a remote controlled TV set, remote controlled air conditioner, fresh flowers and so on.
5. **Potential Product:** This consists of all the possible augmentations and transformations the product might undergo in the future, just as we have new products in our markets daily due to modifications and diversifications undertaken by manufacturers.

### ITQ

#### Question

---- is the possible modifications that a product may be subjected to in the future.

- a. Augment product
- b. Potential product
- c. Basic product
- d. Expected product

#### Feedback

Did you choose any of options A, C, or D? Too bad! You are wrong! If you look over the meaning of each of these product levels, you will see that only option B fits the definition in the question.

## 7.2 Classifications of Product

From a product perspective, you also need to understand how you 'classify' your products. If you can understand the classification you will gain a better understanding of how and why your customers behave towards the product. This knowledge helps you to determine not just the amount of resource required to support the customer in reaching a purchase decision, it also helps you determine the actual types of support required.

### 7.2.1 Consumer Products

Consumer goods are those which are used by ultimate consumers or households and in such form that they can be used without further commercial processing. Consumer goods can further be classified according to the amount of efforts consumers are willing to expend for purchases and the extent of their preferences for such products and services. Thus, consumer goods can be divided into: convenience goods, shopping goods, specialty goods and unsought goods.

1. **Convenience Products/Goods:** These are standardized products and services usually of low unit values that consumers wish to buy immediately as needs arise and with little buying efforts. These are goods which consumers generally purchase frequently with little effort. The purchase is almost spontaneous and the person has already

a predetermined brand in mind. These convenience goods include soaps, newspapers, toothpastes, cigarettes, etc.

**Figure 7.1 Dudu Osun Black Soap** | An example of convenience good



Often, convenience goods are bought impulsively or spontaneously. For example, when a person goes for shopping and sees a product which attracts his eyes, he buys it on impulse. Such goods are not purchased on a regular basis.

2. **Shopping Goods:** These are goods which are purchased after going around shops and comparing the different alternatives offered by different manufacturers and retailers. In other words, these are durable items with differentiated product attributes that consumers wish to compare in order to be able to find the most suitable for their needs before buying. In this case, the emphasis is on quality, price, fashion, style and so on. They therefore have to be marketed differently. Examples of such goods are clothing, household appliances, and furniture.
3. **Specialty Goods:** These are products that consumers insist on having. The buyers are willing to wait until the right products are available before they buy them. Consumers have either developed special taste or liking for such goods. Specialty products are usually specific branded items rather than product categories. They are specific products which have passed the brand preference stage and reached the brand insistence stage. Examples of these are cars, jewelry, fashion clothing, photocopy machines and cameras. They are usually very costly items and include luxury items.



**Figure 7.2 Macbook** An example of specialty goods among American programmers



4. **Unsought Goods:** These are goods that people do not seek, either because they did not plan ahead to buy them or they did not know about their existence before they saw them on displays at the point of purchase. Most new and recently introduced products will fall into this class. Therefore, aggressive and continuous promotion is necessary for them. Examples of unsought products include life insurance, encyclopedia, and blood donation to the Red Cross Society.

#### ITQ

##### Question

----- is not a consumer product.

- Convenience goods
- Unsought goods
- Specialty goods
- Raw materials

##### Feedback

Which of the options did you choose? Good! Options A, B, and C are all forms of consumer goods while option D is a form of industrial product. Hence, Option D is the right option.

### 7.2.2 Industrial Products

These are products that are used by producers who convert them into consumables or consume them in their processes of conversion or production of their goods. Industrial products are those purchased for further processing or for use in conducting a business. The distinction between consumer and industrial goods is based on the purpose for which the particular product was bought. The classification of industrial goods is based on how they are used by industries. These have been classified into five namely: Installation, Equipment, Tools and Accessories, Raw Materials, Semi-Processed Components and Parts, and Consumables and Operating Supplies.

1. **Installation:** These are major capital items that form the main assets of production firms. They are very costly items that need major decisions before they are purchased. They include product items as buildings, heavy manufacturing machines, computers and so on. These are usually custom made items that will require direct negotiations between the buyers and the sellers.
2. **Equipment, Tools and Accessories:** These are usually standardized items that are used by a wide range of industrial users. They are products like typewriters, hand tools, filing cabinets, and air conditioners. They are production operating items.

**Figure 7.3 Digital Imaging Printer**



3. **Raw Materials:** They form the major parts of the finished items. They are the materials that go through the production line to make up the finished items. They include the raw materials of agricultural products, mining products, forestry products, sea and water products. They are usually standardized items that are sold on the basis of quality and their reliability of supply.

**Figure 7.4 Cocoa | Raw material for beverages** (REUTERS)



4. **Semi-Processed Components and Parts:** These types of industrial goods also form part of the finished items, although some of them are finished items already like buttons for shirts, radio and batteries for cars. Parts can be used by themselves or can be used to form components of the final items.

5. **Consumables and Operating Supplies:** These are the convenience items of industrial products. They are used to aid the running and maintenance of the organization's equipment and for keeping the organisations and their machines in proper shape. They are usually standardized items and of low prices. Examples are stationery, fuel, water, grease and so on.

#### Characteristics of Industrial Products

The following are the characteristics of industrial products:

1. The demand for industrial goods is derived from the demand for the final goods which they are used to produce. The higher the demand for the final item, the higher will be the demand for the industrial goods and vice versa.
2. The demand for industrial goods is mostly inelastic. The amount of items bought of an industrial product remains essentially the same regardless of the price. This is because most items are not made of one single product, but a combination of products. For example, a car is made of the body, tires, radio, air conditioners, lights and so on. If the price of the items is increased, they will still need the same number for each car. Although if the price falls, they may buy more to stock in anticipation of a rise in price in future.
3. Most industrial goods have joint demands with other industrial items. As in (ii) above, most finished goods are a combination of very many products and an increase in the demand for one item will lead to an increase in the demand for the other product.
4. The industrial goods markets are usually concentrated and few in number than the consumer goods markets. Most of the users of industrial goods are usually concentrated in industrial estates. Government, parastatals and other institutions that use industrial goods are usually concentrated in few locations. The typical industrial buyer is very well informed about what they want to buy. They also know the alternative sources of these items.
5. The industrial buying process is usually more rational or the decisions to buy them are more economically based than in the consumer buying process.

#### ITQ

##### Question

---- is not an industrial product.

- a. installations
- b. equipment
- c. Specialty goods
- d. Raw materials

##### Feedback

Which of the options did you choose? Good! Options A, B, and D are all forms of industrial goods while option C is a form of consumer product. Hence, Option C is the right option.

---

## Study Session Summary



### Summary

In this Study Session, you have discussed about the meaning of product and product levels, product classification and the characteristics of industrial products.

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## Assessment



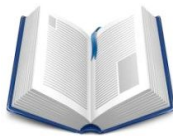
### Assessment

**SAQ 7.1 (tests learning outcomes 7.1 and 7.2)**

Discuss the idea of product level and the different types of product.

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## Study Session 8

# Product Life Cycle and New Product Development

## Introduction

There are several stages that a product passes through in the market before it is removed from the market, a phenomenon best known as product life cycle. This Study Session will therefore expose you to the concept of product life cycle, identify the marketing mix for different products and analyse the development strategy for a new product.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 8.1 *outline* the stages of a product life cycle
- 8.2 *identify* marketing mix at the different product life stages
- 8.3 *discuss* new product development strategy

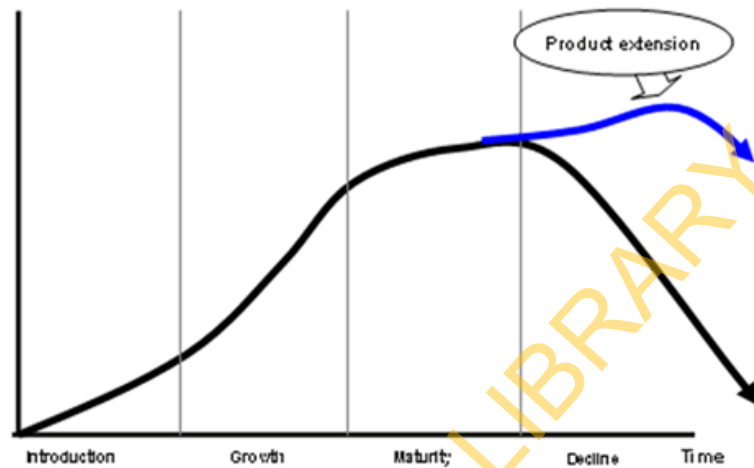
## Terminology

<b>Product life cycle</b>	The cycle through which every product goes through from introduction to withdrawal or eventual demise.
<b>Marketing mix</b>	The set of actions, or tactics, that a company uses to promote its brand or product in the market.

## 8.1 Product Life Cycle

You need to know that an organisation that introduces a new product naturally hopes that the product will contribute to the profits and provide consumer satisfaction for a long period of time. This however, does not always happen in practice. So, progressive organisations try to remain aware of what is happening throughout the life of the product in terms of the sales and the resultant profits.

Figure 8.1 Stages in 'product life cycle'



### 8.1.1 The Development Stage

This is the stage you develop ideas or concepts and invest in them through research to see if they have any value. The product hasn't been launched yet so there are no sales but as can be seen, there is a financial burden. The reason is because at this stage there is a huge investment in research, development, testing, communication, market analysis and building product proto-types. As the product hasn't been launched, it isn't generating any return, so the product at this stage is running at a loss.

### 8.1.2 The Introductory Stage

If the research, testing and trials are successful it may be decided to launch the product into the marketplace. This is typically a time of high investment and slow uptake. So you should start thinking from the very beginning about what happens when a new product is introduced in the market. Figure 1 gives three optimistic alternatives as to the likely sales trend. If the product is well-designed, the sales would not increase slowly but would shoot up after some time as in (a). Rarely would there be a case where they would shoot up as in (b). A poorly designed product may experience a slow take off as shown in (a). Thus, (b) represents a suitable sales trend for a new product. This stage is called the 'introduction' or 'innovation' stage in the life cycle of a product. Since the product has just been introduced, it is natural to expect that it will take some time before the sales pick up. There are some prerequisites for that too. The product must be brought to the notice of the customer. It must be available at the distribution outlets and all this takes some time. Therefore, a likely picture of the sales trend in this stage would be (b) as given in figure 1.

### 8.1.3 The Growth Stage

In case the product launched is successful, the sales must start picking up or rise more rapidly. The next stage is then reached which is known as the 'growth stage'. Eventually, consumers will see and hear about this product and when they do the product will experience a huge growth spurt. Here, the sales would climb up fast and profit picture will also improve considerably. This is because the cost of distribution and promotion is now spread over a larger volume of sales. As the volume of production is increased, the manufacturing cost per unit tends to decline. Thus, from the point of view of product strategy, this is a very critical stage.

### 8.1.4 The Maturity Stage

It is too optimistic to think that sales will keep shooting up. At this stage, it is more likely that the competitors become more active. In case your product is a novel one, by now competitors will come out with a similar product in the market to compete with yours. Therefore, the sales are likely to be pushed downwards by the competitors while your promotional efforts would have to be increased to try and sustain the sales. Thus, the sales reach a plateau. This is called the 'maturity stage' or 'saturation'. At this point, it is difficult to push sales up. With regard to the 'profit' picture, the profits are likely to stabilize or start declining as more promotional effort has to be made now in order to meet competition. Also, you have a look at the length of time the product spends in this stage of its life. According to the theory, products spend most of their life in the maturity stage. Unless, of course, you have the largest market share with your product and it needs no extra push in the market.

### 8.1.5 The Decline or Obsolescence Stage

There will come a time when the market conditions change to such an extent that the product starts to slip into decline. Thereafter, the sales are likely to decline and the product could reach the 'obsolescence' stage. Steps should be taken to prevent this obsolescence and avoid the decline. This decline that generally follows would be due to several reasons such as consumer changes and taste, improvement in technology and introduction of better substitutes. This is the stage where the profits drop rapidly and ultimately, the last stage emerges. Retaining such a profit after this stage may be risky, and certainly not profitable to the organisation.

#### ITQ

##### Question

----- stage is when the product is not yet introduced into the market.

- Development
- Introductory
- Maturity

d. Decline

**Feedback**

If you look at the options provided, it is the development stage that is the stage where the product is yet to be introduced to the market. The right option is A.

## 8.2 Marketing Mix at the Different Product Life Stages

There are many life stages of marketing mix. In this section, we will take a look at all these stages.

### 8.2.1 The introductory stage

You have to increase and thus spend a lot on physical distribution and promotion. This is because you have to create an awareness and acceptance of your product. Also, you must increase its availability. Very often in this country, it is noticed that a product is advertised but is not available at the distribution outlets. This is a waste of promotional expenses. You must make optimum use of the available resources of the organisation. Thus, distribution should be arranged before the product is launched. In any case, in these two areas, substantial amounts would have to be spent. You have to also counter the reluctance of customers to change their established patterns and make them purchase your product, particularly if it is of a novel nature. As against this, if it is a novel one, people may even buy it out of sheer 'curiosity'.

### 8.2.2 The growth stage

When the sales shoot up and you are satisfied with the profit generated by the product, competitors will now enter the market and perhaps offer new product features. Therefore, you may have to think of improving your product so that you do not reach the ultimate 'decline' stage too quickly. The promotional expenditure is maintained at the same level or is raised slightly in order to meet competition.

### 8.2.3 The maturity stage

This stage generally lasts longer than the other stages and poses problems for the management in maintaining the sales level. Actually, there is a slow-down in the growth rate of sales in case of such mature products. The decline can be arrested by improvements in the product and promotion. You should, however, at this time, seriously think in terms of a new product mix, that is, the elimination or redesign of the current product within the near future.

### 8.2.4 The decline stage

The decline may be slow or rapid. It may be due to better substitute products, better competition, technological advances with which you have not kept up and several other reasons. Such a product now proves



expensive for the organisation. One must, therefore, be willing to consider the elimination of such marginal or unprofitable products. Eventually, the last weapon is to reduce the price. This is dangerous because this is a very crucial time when extra promotional effort is required to be put in to prop up the product's sales. Reducing the price may soon land the company in a loss situation.

#### Options in the Decline Stage

Having considered the product life cycle and the inevitability of product decline, the question which comes to one's mind is what should be done to avoid or postpone this decline. You should consider some of the following points to avoid decline:

- a. improve product quality
- b. add new product features resulting in extra benefits
- c. penetrate new market segments
- d. give incentives to distribution channels
- e. expand the number of your distribution channels; and
- f. improve advertising and sales effort.

Perhaps, the answer lies in the word 'innovation'. It is the reason it is sometimes said that innovation is the life-blood of marketing. Innovation can be in any of the 4P's of marketing. In connection with the product, it would mean quality improvement or improvement in features. Ultimately, a time may come when the product will have to be removed from the product mix.

#### ITQ

##### Question

----- stage is the stage with the longest life span of all the stages.

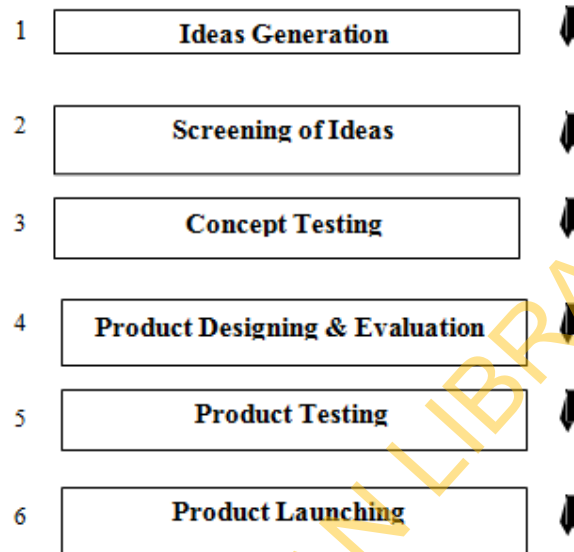
- a. Growth
- b. Introductory
- c. Maturity
- d. Decline

##### Feedback

If you look at the options provided, the maturity stage is the stage with the longest life span of all the stages. The right option is C.

## 8.3 New Product Development Strategy

You must have realized by now that it is very important to have a strategy for developing new products. Many products fail, and in order to keep expanding company sales, you must have new products. Some products of Unilever have failed, but still they remain leading manufacturers because they have continuously added to their lines and added product lines to their product mix. Several stages must be defined. Figure 3 gives the stages in new product development. These will now be discussed in details.

**Figure 8.2 Stages in new Product Development**

### 8.3.1 Generation of New Product Ideas

The first step obviously is to get ideas with regard to possible new products. Can you think of the sources from which you can get such product ideas? Your answer should have been: Customers, Company Salesmen, Competitors, Company Executives, and Employees within the organisation including technical people.

As marketing is aimed at satisfaction of consumer needs, an alert marketer can get some ideas from the customers for possible new products by keeping his eyes and ears open and more particularly the mind to perceive even needs which are so far unexpressed. For example, in the case of refrigerators, someone conceived the idea of having a ‘two-door’ refrigerator; another conceived the idea of the ball-point pen which obviated the need for constantly filling fountain pens. Thus, new ideas can come from customer needs or problems requiring a solution.

Company salesmen are in an excellent position to help. This is because they are in constant touch with the market: both consumers and competitors. Watching competitors and what they introduce can also be useful for new ideas. Finally, company executives and even the lower staff can be brought in for discussions. The interesting method here is what is known as brainstorming. This is basically done to have a flow of ideas – good and bad. A number of people, say executives of the organisation, are called together and asked a question for new ideas or ideas for new products. They are asked to mention it without evaluation. None is criticized. The answers are recorded on a tape recorder so that the flow is not interrupted. Thereafter, the answers generated are evaluated as will be explained in the next stage.

## ITQ

### Question

The third stage in new product development is

- a. Product launching
- b. Screening ideas
- c. Concept testing
- d. Product testing

### Feedback

Can you adequately recall each of the stages in a new product development? Good! Concept testing is the third stage and it comes after generation of ideas and screening of ideas. The right option is C.

## Study Session Summary



### Summary

In this Study Session, you have been taken through product life cycle concept, marketing mix at different stages, options in decline stage and new product development strategy.

## Assessment



### Assessment

#### SAQ 8.1 (Tests learning outcomes 8.1 and 8.2)

Discuss the role of marketing mix in the a product's life cycle.

#### SAQ 8.3 (Tests learning outcome 8.3)

Your company is about to introduce a new product into the market. Identify the new product development strategy to follow.

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## Study Session 9

# Packaging

## Introduction

Demand of some products these days is a function of packaging. Some products are highly demanded by consumers, not because of their qualities, but due to their attractive packages. This Study Session will therefore discuss what packaging is, reasons for packaging, functions of packaging and other features of packaging. In addition, we shall be examining what a label is, its characteristics and various forms of labelling, functions of labels, arguments for and against labelling and legal implications of labelling.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 9.1 *define* packaging and identify the reasons for packaging;
- 9.2 *identify* the functions of packaging;
- 9.3 *explain* the growth of packaging usage;
- 9.4 *discuss* labelling, warranties and guarantees;
- 9.5 *discuss* criticism against packaging

## Terminology

<b>Packaging</b>	The technology of enclosing or protecting products for distribution, storage, sell, and use.
<b>Labelling</b>	Display of information about a product on its container, packaging, or the product itself.

### 9.1 What is Packaging?

Packaging has been variously defined in both technical and marketing literature. One of the most quoted definitions is, packaging is the art, science and technology of preparing goods for transport and sale. It has been defined as the activities of designing and producing the container or wrapper for a product.

**Figure 9.1 LG TV Packaging**

Packaging is regarded as all the activities of designing and producing the container for a product. Packaging might include three levels of materials such as primary packaging, secondary packaging and shipping packaging. Also, packaging has been defined as the general group of activities in product planning that involves designing and producing the container or wrapper for a product. It creates convenience and promotional value. The package is the buyer's first encounter with the product and is capable of turning the buyer on or off.

An understanding of the packaging industry is necessary to fully appreciate the packaging revolution that has occurred in the consumer and industrial goods sectors. The packaging industry consists primarily of two distinct segments – firms which manufacture the packaging materials and the marketing research agencies which conduct specialized packaging research, generally for packaging development and adoption. Newer materials are constantly emerging in the packaging field and in many cases, which have eliminated or threatened the older materials, such as wood and steel, because of the relative cost advantage or better performance characteristics. The important packaging materials today are:

1. Metals - Aluminum, Tinplate and steel
2. Plastics - PVC, HDPE, etc.
3. Wood - Wood and cellulose film
4. Paper - Paper, board, corrugated board, etc.
5. Glass - Clear, tinted, etc.
6. Laminated - Aluminum, foils, plastic film, etc.

## ITQ

### Question

The package is the buyer's first encounter with the product.  
TRUE/FALSE

### Feedback

This is true because it is the package that can either put a buyer off or warm the product into the heart of the buyer.

## 9.1.1 Reasons for Packaging

You need to know that there are various reasons for packaging. Some of them are the following:

1. Packaging is used to protect the contents of the product from spoilage or wastage. Packages ensure that consumers receive the products in good condition and then derive the best benefit from them. This protective package is referred to as the primary package.

**Figure 9.2 Protective Packaging for Eggs** | Hartman



2. Packaging may implement a company's marketing program. Packaging helps to identify a product and thus may prevent substitution of competitive goods. A package may be the only significant way in which a firm can differentiate its product. In the case of convenience goods or industrial operating supplies, for example, most buyers feel that one well-known brand is about as good as another. Retailers recognize that effective protection and promotion features in a package can cut their costs and increase sales.

3. Packages can also be used as a form of promotion. The primary package can be so designed as to attract customers to the product. Some of the packages can be used after the main content has been used up. Designs, sites and colours of packages can also be employed as means of promoting the product at their points of sale.

**Figure 9.2 Promotional Food Packaging** |zappistore.com



4. Management may package its product in such a way as to increase profit possibilities. A package may be so attractive that customers will pay more attention to get the special package even though the increase in price exceeds the additional cost of the package. Also, an increase in ease of handling or a reduction in damage losses will cut marketing costs, again increasing profit.

### ITQ

#### Question

----- is not a reason for packaging.

- To protect a product's content from getting spoilt.
- To make a product affordable.
- To implement a company's marketing program.
- To increase profit possibilities.

#### Feedback

If you look at the options provided, A, C, and D are a reason for packaging. In the light of this, the odd option is B.

## 9.2 Functions of Packaging

You should be aware that packaging can provide the following functions:

### 9.2.1 Protection

This is the one which is the oldest and most basic. The primary function is to protect the products from environmental and physical hazards to which the product can be exposed, in transit from the manufacturer's plant to the retailer's shelves and while on display on the

shelves. The specific types of hazards against which protection has to be sought would obviously vary from product to product. It is however possible to identify the principal hazards which are almost universal. These are:

1. Breakage/damage due to rough mechanical or manual handling during transportation.
2. Extremes of climatic conditions which can lead to melting, freezing, etc.
3. Contamination either bacterial or non-bacterial, such as by dirt or chemical elements.
4. Absorption of moisture or odors of foreign elements.
5. Loss of liquid or vapor.

### **9.2.2 Appeal**

The package is increasingly being used as a marketing tool, especially in certain types of consumer products such as perfumes or several other gift articles. The importance is also substantially due to the changed structure of retail business, especially the emergence of self-service stores. In the case of consumer products, the package serves as a silent salesman. This is true irrespective of whether the product is a luxury, semi-luxury or an ordinary everyday use product. The following characteristics have been identified to help a package perform the self-selling tasks:

1. The package must attract attention.
2. The package must tell the product industry.
3. The package must build confidence.
4. The package must look clean and hygienic.
5. The package must be convenient to handle.
6. The package must reflect good value.

Packaging, however, is of greater importance in the case of certain specific types of articles. Industry-wide studies in several countries showed that packaging costs in the cosmetics industry far outrun those of other industries. This excessively high incidence is not due to the packaging which is required for the protective function, but for making the product attractive, a status symbol and ego-satisfying. Other products, such as chocolates in gift packs also are instances where packaging performs a basic marketing function by making the products more appealing.

Consumer research on packaging has basically concentrated on two aspects which are presumed to have an influence on consumer purchase decisions. The first one is colour and the second is the package or container design. Almost all researchers have come to the conclusion that each colour has its own distinct characteristics and, therefore, has to be used in the package so that there is no mismatch between what is expected of the package and the colour used in the packaging. One additional problem in this area is that nationals in different countries display divergent colour preferences, due to their diverse socio-cultural-religious backgrounds. Similarly, research has been carried out on the desirable properties of a container. Slender, cute- containers are often used for beauty-care products for the feminine sex, as these are expected to create an appropriate image of the product. Graphics and logo-types



are also important in designing and conveying the total product image. There are several accepted promotional packaging techniques. Some of these are:

1. Money-off Pack: A 'flush' in distinctive colour is superimposed on the package, announcing the specific price discount being offered. This is the most widely used form.
2. Coupon-pack: A coupon, either as a part of the package or placed separately in the package, of a certain value can be redeemed after the purchase of the product.
3. Pack-in-premium: A premium, i.e. the gift, is packed within the original product, e.g. a handkerchief.
4. Premium-package: A specially made package having either a re-use or prestige value. Instant coffee packed in drinking glasses having closures is an example of the first type. The set of audio cassettes of Tagore songs released by the gramophone company of India in 1986 which was presented in a specially designed wooden box is an example of the second type.

### 9.2.3 Performance

This is the third function of a package. It must be able to perform the task for which it is designed. This aspect becomes crucial in certain types of packaging. For example, an aerosol spray is not only a package but also an engineering device. If the package does not function, the product itself becomes totally useless.

### 9.2.4 Convenience

The package must be designed in a way which is convenient to use. The important point to be appreciated however is that it should be convenient, not only to the end-users, but also to the distribution channel members, such as wholesalers and retailers. From their standpoint, the convenience will relate to handling and stocking of packages. The specific attributes they would seek in a package in this context are:

The package must be convenient to stock.

1. The package must be convenient to display.
2. The package does not waste shelf-space.
3. The package retains its looks during the shelf-life.
4. The master packages/cartons are easy to dispose of.

Because of the increasing concern with solid-waste disposal, the last factor has assumed importance in developed countries. However, from the standpoint of domestic or institutional end-users, convenience would refer to the use of the package, such as opening and closure of the package, the repetitive use value, disposability, etc.

### 9.2.5 Cost Effectiveness

The package finally must be cost-effective. Packaging cost as a percentage of product cost varies dramatically from one industry to another. It is important to appreciate that while analyzing packaging costs, it is not enough to consider only the cost of package. This is only

one, though the most important, element of the total costs associated with packaging. Cost in this chain consists of:

1. Package costs incurred in inward delivery to the factory when the product is purchased from outside.
2. Storage and handling costs of the empty packages.
3. Storage costs of the filled packages.
4. Transport cost for distributing filled packages.
5. Insurance cost for the transit period, etc.

### ITQ

#### Question

A package which will self-sell must have all but one of the following characteristics.

- a. The package must have a name.
- b. The package must attract attention.
- c. The package must look clean and hygienic.
- d. The package must be convenient to handle.

#### Feedback

From our study so far in this segment, options B, C, and D are characteristics that a package must have it will self-sell, but option is A is not.

## 9.3 The Growth of Packaging Usage

You should be aware that there are several factors responsible for the growth of packaging usage globally. Among them are:

1. **Self-service:** An increasing number of products are sold on a self-service basis in supermarkets and discount houses. It has been reported that in an average supermarket, which stocks 15,000 items, the typical shopper passes by some 300 items per minute. Given that 53% of all purchases are made on impulse, the effective package operates as a five-second commercial. The package must perform many of the sales tasks. It must attract attention, describe the product's features, create consumer confidence, and make a favourable overall impression.
2. **Consumer Affluence:** Rising consumer affluence means consumers are willing to pay a little more for the convenience, appearance, dependability and prestige of better packages.
3. **Company and Brand Image:** Companies are recognizing the power of well-designed packages to contribute to instant recognition of the company or brand. The Campbell Soap Company estimates that the average shopper sees its familiar red and white can 76 times a year, creating the equivalent of US\$26 million worth of advertising.
4. **Innovation Opportunity:** Innovative packaging can bring large benefits to consumers and profits to producers. For example, toothpaste pump dispensers have captured 12% of the toothpaste market because, for many consumers, they are more convenient and less messy.

**ITQ****Question**

All but one of the following is not a reason for the spread of the use of packaging around the globe.

- a. Consumer affluence
- b. The readiness of the consumer to pay any price for a well-packaged product.
- c. The fact that the regulations demands it
- d. The fact that it distinct the company's brand.

**Feedback**

Are you sure you choose the right option? From our study so far in this segment, you will agree that options A, B, and C are reasons for the spread in the use of packaging globally. Option D is the answer.

### 9.3.1 Legal Aspects of Packaging

While managing the packaging function, constant attention needs to be given to the various regulations that the government has laid down in this respect. Government regulations are many and encompass areas such as the use of specific packaging materials for certain products, consumer protection, transportation of hazardous cargo and so on. The most pervasive among these is the regulation relating to the information a manufacturer is obliged to provide in the package on the product itself. This is commonly known as labelling requirement and covers a host of commodities. Principal among these are food products, cosmetics and pharmaceuticals. Statutory requirements relate generally to:

1. Net weight, when packed.
2. Date of manufacture.
3. Date of expiry.
4. Maximum retail price including or excluding local taxes.
5. Directions for use, including dosage requirements.
6. Directions for storage.

## 9.4 Labelling, Warranties and Guarantees

In this section, we will be looking at labelling, warranties and guarantees. Take note of the differences between these three concepts.

### 9.4.1 Label

Label is one of the legal requirements in identifying one company's product(s) from other companies' products. It describes the product, its elements and other details about the product. Therefore, a label may be a simple tag attached to a product or an elaborately designed graphic that is part of the package. Sometimes, label carries only the brand name or a great deal of information. However, labels perform several functions on a product.

1. A label identifies the product or brand.
2. A label grades the product, such as A, B, C, and so on.
3. A label describes the product, such as manufacturer, place, year of production, contents, usage and safety.
4. A label promotes the product through attractive designs and graphics

The label is the part of a product that carries verbal information about the product or the seller. A label may be part of a package, or it may be a tag attached directly to the product. Labelling is a subset of packaging. Labels may range from simple tags attached to products to complex graphics that are part of the package. It should be noted that there is a close relationship between labelling and packaging, and between labelling and branding.

#### **Functions of Labels**

Labels perform several functions, and the seller has to decide which one to use. They include the following:

1. A label identifies the product or brand, such as the crown in Mercedes cars.
2. A label grades the product, such as canned peaches are grade-labelled A, B and C.
3. A label describes several things about the product – Who made it? Where it was made? When it was made? Its content? How it is to be used? How to use it safely?
4. A label promotes products through attractive graphics.

#### **Argument for and against Labelling**

You need to realize that brand labelling creates very little stir among critics. While it is an accessible form of labelling, the severe limitation is that it does not supply sufficient information to a buyer. The real fight centers on grade versus descriptive labelling, and whether grade labelling should be mandatory. The proponents of grade labelling argue that it is simple, definite and easy to use. They also point out that if grade labels were used, prices would be more related to quality. They equally argue that grade labelling might increase competition, because consumers would be able to judge products on the basis of both price and known quality. The cost of grade labelling is very low, so it would not place a greater burden on the manufacturer. However, those who object to grade labelling point out that it is not possible to grade differences in favour and taste, or in style and fashion. A very low score on one grading characteristic can be offset by very high scores on other factors. For example, regarding Coke and Pepsi, some people claim that Coca-Cola is of high quality but has high gas content, while Pepsi Cola is of low quality but has less gas content.

Companies selling products that score high within a given grade would be hurt by grade labelling. It would not be possible for these companies to justify a higher price than that charged for another. Some people also argue that grades are an inaccurate guide for consumer buying, because the characteristics selected for grading, weights assigned to them and the means of measuring them are all established on an arbitrary basis. Labels eventually become outmoded and need freshening; hence, marketing

executives should ensure that their labels meet the changes in the business environment.

### **Legal Implication of Labelling**

You need to realize that there is a long history of legal concerns surrounding labels, packaging and generally products. In 1914, the US Federal Trade Commission Act held that false, misleading or deceptive labels or packages constituted unfair competition. The fair packaging and labelling Act, passed by the US Congress in 1967, set mandatory labelling requirements, and encouraged voluntary industry packaging standards. For example, in the past, the labelling of clothing, furs and piece goods was often confusing and misleading to the consumer. As a result, three important labelling laws were passed. The Wool Products Labelling Act (1940) provides that a clothing product containing any wool must be labelled to explain clearly what kind of wool is used (virgin, reprocessed, etc.) and what percentage of each type is included in the product. The Fur Products Labelling Act (1951) provides that in identifying a fur garment, the label must state the usual or natural name of the fur and its country of origin. Also, the Textile Fiber Products Identification Act (1958) provides that clothing garments and household textiles, including rugs, must carry the generic description of the fiber content.

The food and drug administration has also established a set of labelling standards for processed foods to ensure full disclosure of their nutritional content. Labels must clearly state the amounts of protein, fat, carbohydrate and calories contained in the contents of the package. Vitamin and mineral content must be expressed as a percentage of the recommended daily allowance. Also, ingredients must be listed in the order in which they are contained in the product.



#### **Note**

It should be noted that this is not exhaustive; there are other legal considerations/requirements.

### **9.4.2 Warranties and Guarantees**

Unlike labels, warranties are formal statements of expected product performance by the manufacturer. It means that any products under warranty can returned to the manufacturer or designated repair center for repair, replacement or refund. Whether expressed or implied, warranties are legally enforceable. In other circumstances, some marketers offer general guarantees or specific guarantees. Guarantees reduce the buyer's risks. Usually, they indicate that a product is of high quality and that the company and its service performance are dependable, which allows the company to charge a higher price than a competitor who may not offer an equivalent guarantee. Guarantees perform two functions. Guarantees work where the company or the product is not well known. The second function is where the product's quality is superior to the competition.

**ITQ****Question**

-----is used to differentiate a company's product from another.

- a. Warranty
- b. Guaranty
- c. Label
- d. All of the above

**Feedback**

Given what we have studied so far in this segment, the right answer is not a warranty not a guaranty. Rather, it is a label. A label helps to set a company's product from others. C is the right option.

## 9.5 Criticisms against Packaging

Packaging is in the socio-economic forefront today because of its relationship to environmental pollution issues. Perhaps, the biggest challenge facing packagers is how to dispose of used containers, which are a major contributor to the solid-waste disposal problem. However, consumers' desire for convenience conflicts with their desire for a clean environment. Other socio-economic criticisms of packaging are:

1. Packaging depletes our natural resources. This criticism is offset, to some extent, as packagers increasingly make use of recycled materials.
2. Packaging is excessively expensive – cosmetic packaging is often cited as an example here. But even in seemingly simple packaging, beer, for example, half the production cost goes for the container. On the other hand, effective packaging reduces transportation costs and losses from product spoilage.
3. Health hazards occur from some forms of plastic packaging and some aerosol cans although government regulations have banned the use of several of these suspect packaging materials.
4. Packaging is deceptive-this often times means a product looks better than on the inside. The deceptive package can only fool a first time buyer.

Meanwhile, there are several strategies employed in packaging:

1. When a product is not doing well, the manufacturer can change its to introduce the product to a new market or to combat decrease in sale or to combat imitation.
2. Sometimes companies use family packaging by making all their products to come in similar shape or distinct colour combination for easy identification
3. Many companies employ packages that are reusable so that the jar, the carton or the container can be used for other purposes after the original content has been used.
4. Packaging is a silent and subtle advertisers for ever.

5. Companies also involve in multi-packaging. This is the practice of placing several units in one container and this has the advantage of making people to buy more and helping retailers or wholesalers to stack or display.
6. Again, they could engage in mini packs. This strategy is adopted to encourage potential buyers who may not need big packs.

### ITQ

#### Question

All but one of the following is not a socio-economic criticism of the use of packaging.

- a. It is ridiculously cheap
- b. It is excessively expensive
- c. It is deceptive
- d. It is poses some health hazards

#### Feedback

Are you sure you chose the right option? From our study so far in this segment, options B,C, and D are some of the socio-economic criticisms against the use of packaging while option A is not. Hence, A is the right option.

## Study Session Summary



### Summary

In this Study Session, you have been taught definitions of packaging, reasons for and functions of packaging in marketing industry. Also, you have learnt the growth of packaging usage and legal aspects of packaging. Lastly, you have been exposed to criticisms against packaging and the meanings and importance of labelling, warranties and guarantees.

## Assessment



### Assessment

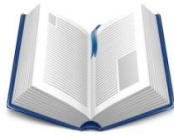
#### SAQ 9.1 (tests learning outcomes 9.1, 9.2, 9.3, and 9.5)

Packaging has become a necessity in the business world today, in spite of the legal bottlenecks as well criticisms against it. Discuss.

#### SAQ 9.4 (tests learning outcomes 9.4)

What do you understand by labelling and how is it different from warranty and guaranty?

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Kotler, P. and Keller, K. L. (2006). *Marketing Management*. 12th Edition. New Jersey: Pearson Prentice Hall.

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# Study Session 10

## Branding



Figure 10.1 Corporate Brand Identities

## Introduction

The use of brand name is one of the most important elements of the merchandising function in recent times. In global world today, this has become more crucial as the competition becomes severe. Thus, this Study Session will take you through the conceptual meaning of the terms brand, brand name and other issues in branding.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to

- 10.1 *define* brand, brand name and identify the importance of branding
- 10.2 *explain* reasons and non-reasons for branding
- 10.3 *identify* features of good branding

10.4 discuss branding decisions and brand repositioning

## Terminology

<b>Branding</b>	The process involved in creating a unique name and image for a product in the consumers' mind, mainly through advertising campaigns with a consistent theme.
<b>Brand name</b>	A name given by the maker to a product or range of products, especially a trademark.

## 10.1 Branding and Brand Name

Figure 10.2 Branding |tinobusiness.com



Marketers say that branding is the art and cornerstone of marketing. A brand is a word, mark, symbol, device or a combination thereof, used to identify some product or service. The definition clearly focuses on the function of a brand, which is to identify, irrespective of the specific means employed for the identification.

Akanbi also says that 'brand is the name, term, symbol, or design or a combination of these which is employed to identify the goods or services of one seller or group of sellers, and to differentiate them from those of competitors'. The American Marketing Association defines a brand as 'a name, term, sign, symbol or design or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors'.

### 10.1.1 Brand Name

The American Marketing Association says 'Brand name is a part of a brand consisting of a word, letter, group of words or letters comprising a name which is intended to identify the goods or services

of a seller or a group of sellers and to differentiate them from those of competitors'. Comparing this definition with that of other authorities, it is found that the function remains the same. A brand name is only one of the means that the brand can use for identification. Examples of brand names are: Toyota, Honda, Mercedes, Mobil, Shell, Lux and Omo.

**A Brand Mark** – A brand mark is the part of the brand that is in the form of a symbol, design or distinctive coloring or lettering. Examples include: 'the Lion' for Peugeot cars, the 'Star' for Mercedes Benz cars and a 'Stallion' for Union Bank of Nigeria Plc.

**A Trademark** – This is a brand that is given legal protection as an exclusive use of a particular company. Trademarks are brands, but not all brands are legally protected. Hence, any mark that is not legally protected cannot be referred to as a trademark. The American Marketing Association defines a trademark as 'a brand that is given legal protection, because under the law, it has been appropriated by one seller'. Thus, trademark is essentially a legal term. All trademarks are brands and thus include the words, letters or numbers that can be pronounced. They also include a pictorial design (brand mark). Some people erroneously believe that the trademark is only the pictorial part of the brand.

### ITQ

#### Question

Which of the following is a brand NAME?

- a. Nigeria Bottling Company
- b. Nigerian Brewery
- c. Multichoice Limited
- d. Coca-Cola

#### Feedback

If you look at all the options very well, you will notice that three of them are names of companies and not a brand name. The only brand name among the options is D.

## 10.1.2 Importance of Branding

The importance of branding is as follows:

1. Brands make it easy for consumers to identify products or services.
2. Brands also assure purchasers that they are getting comparable quality when they reorder.
3. For sellers, brands are something that can be advertised and that will be recognized when displayed on shelves in a store.
4. Brands also help sellers to control their share of the market, because buyers will not confuse one product with another.
5. Branding reduces price comparisons, because it is hard to compare prices on two items with different brands.
6. For sellers, branding can add a measure of prestige to otherwise ordinary commodities, such as Gulder, Star, Coca-Cola, Mercedes' products, Sony's products and so on.

**ITQ****Question**

One of the following is not an importance of branding.

- a. It reduces price comparisons
- b. It promotes sale of a product.
- c. It make it easy for consumers to identify products or services.
- d. It helps sellers to control their share of the market.

**Feedback**

Given our study in this segment, options A, C, and D are all importance of branding while option B is not.

## 10.2 Reasons for Branding and not Branding

Below are some of the reasons why organizations engage in branding and otherwise.

### 10.2.1 Reasons for Branding

You need to know that there are various reasons why a company may wish to adopt a brand name and/or trademark. Some of these reasons include the following:

1. Branding enables a company to differentiate its product. It gives the marketer a different product to promote. Each market segment will have a specific version of the same product from the company.
2. Brands help to ascertain who the producer of the product is. A company's name is built around the brand name which can be used to stimulate the sales of the product.
3. Branding enables a company to control the distribution and the price of its product because of its distinct nature.
4. The promotion of a brand will help the company to increase its market share in the country. It helps to build loyalty for the product and increase repeat purchases.
5. Branding can aid a marketer to increase his product lines. The qualities associated with an established line can be exploited to reflect on a new product marketed under the same brand name.

### 10.2.2 Reasons for not Branding

Some of the reasons for not branding include the following:

1. Many firms do not brand their products because they are unable or unwilling to assume the two major responsibilities inherent in brand ownership: (a) to promote the brand and (b) to maintain a consistent quality of output.
2. Some items are not branded because of the difficulties of differentiating the products of one firm from those of another. For example, clothes pins, nails and industrial raw materials (coal, cotton, and wheat) are examples of goods for which product differentiation is generally unknown. In addition, the physical nature of some items,

such as fresh fruits and vegetables, may discourage branding (although, these days, they are packaged in tins/cans).

- Producers frequently do not brand that part of their product (output) that is below their regular quality. Products graded as 'seconds' or 'imperfects' are sold at a reduced price and are often distributed through channels different from those used for regular quality goods.

### ITQ

#### Question

A company that deals in selling pineapple may find it difficult to brand. TRUE/FALSE.

#### Feedback

This is true because one wonders where the brand will be put on the pineapple.

## 10.3 Features of Good Branding

You need to realize that a good brand should possess as many of the following characteristics as possible. It is extremely difficult to find a brand that has all of them. A brand should:

- Suggest something about the product's characteristics –the benefits, use or action. Some names suggest desirable benefits including cold spot, craftsman (tools) and so on. Product use and action is suggested by minute rice, thermos pane, spic and span and so on.
- Be easy to pronounce, spell, and remember, simple, short, one-syllable names such as Omo, Mobil, Total, Toyota, Shell and so on are helpful.
- Be distinctive. Brands with names like national, star, ideal or standard fail on this point.
- Be adaptable to new products that may be added to the product line.
- Be capable of being registered and legally protected under the Acts or other statutory laws.

### ITQ

#### Question

The name, Oestroepiphanicalo, is a good brand name. TRUE/FALSE.

#### Feedback

Based on what we learnt that a good brand must be easy to pronounce, this name cannot be said to be a good brand name.

## 10.4 Brand Decisions

You need to know that having an appropriate brand has become the most important activity in the area of marketing of products, especially consumer products. Several decisions need to be taken, though not

simultaneously, with regard to brand selection and its use. Whether to brand a product or not is a decision which can be taken only after considering the nature of the product, the type of outlets envisaged for the product, the perceived advantages of branding and the estimated costs of developing the brand.

### **10.4.1 Family Brand Option**

The family brand option are:

1. It reduces the costs of product launching and ongoing promotional expenditure substantially. The firm has to promote only one brand which, if successful, would be able to sell the entire product line. Lining up the distribution channel members also becomes comparatively easier. A family brand name has been found to be very cost effective in tire marketing.
2. If one product does exceptionally well, it is perfectly possible that there would be positive fallouts for other products being marketed under the same brand.
3. A greater weakness of this strategy is that it does not recognize that each product can be given a specific identity by a suitable brand which can go a long way to make it successful.

### **10.4.2 Individual Brand Option**

The individual brand option are:

1. If there is a product failure, its damaging effect will be limited to that particular product and will not extend to the entire product line.
2. Individual brand strategy can immensely influence the decisions.
3. The basic disadvantage lies in the economics of developing an individual brand. It is obviously a costlier strategy than the family brand.
4. The other disadvantage is that the brand does not directly derive any benefit from the reputation of the firm.

### **10.4.3 Brand Repositioning**

Over the life cycle of a product, you need to realize that several market parameters might undergo a change such as introduction of a competing product, shifts in consumer preferences, identification of new needs and so on. All and each of such changes call for a re-look as to whether the original positioning of the product is still optimal or not. Stagnating or declining sales also point to a need for reassessment of the original product positioning. A classic story of successful brand repositioning is the Seven-up campaign. Seven-up was one of several soft drinks bought primarily by older people who wanted a brand, lemon flavour drink. Research indicated that while a majority of soft drink consumers preferred a cola, they did not prefer it all the time and many other consumers were non- cola drinkers.

Seven-up went up for leadership in the non-cola market by executing a brilliant campaign, calling itself the Uncola. The campaign featured the Uncola as a youthful and refreshing drink, the one to reach for instead of a cola. Seven-up created a new way for consumers to view the soft

market, as consisting of colas and uncolas, with seven-up leading the uncolas. It thus repositioned seven-up as an alternative to the traditional soft drink, not just another soft drink. Another exciting story of brand repositioning is Pepsi Cola's campaign to reincarnate its flagging 30-year old Mountain Dew brand.

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## Study Session Summary



### Summary

In this Study Session, you have learnt the definition and meaning of brand and brand name, the importance of branding, reasons and non-reasons for branding. In addition, you have been taught the features of good branding, branding decisions and brand repositioning.

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## Assessment



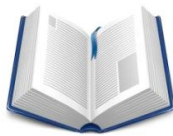
### Assessment

#### SAQ 10.1 (Tests learning outcomes 10.1, 10.2, 10.3, and 10.4)

One of the strongest ways to stay afloat in the business world is to have a good brand. Discuss.

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## Study Session 11

# Distribution Channel

## Introduction

Marketing distribution channel decisions are among the most important decisions that managements face. This is because of the urgent need to ensure that goods and services produced get to the final consumers as at when due. Therefore, in this Study Session, you will be exposed to channels of distribution and its importance, types of marketing channels, the prerequisites for an ideal distribution channel and types of middlemen.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 11.1 *discuss* channels of distribution and its importance
- 11.2 *identify* types of marketing channels
- 11.3 *explain* steps involved in the selection of appropriate channels
- 11.4 *identify* types of middlemen

## Terminology

<b>Marketing channel</b>	The people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption.
<b>Distribution channel</b>	A chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer.

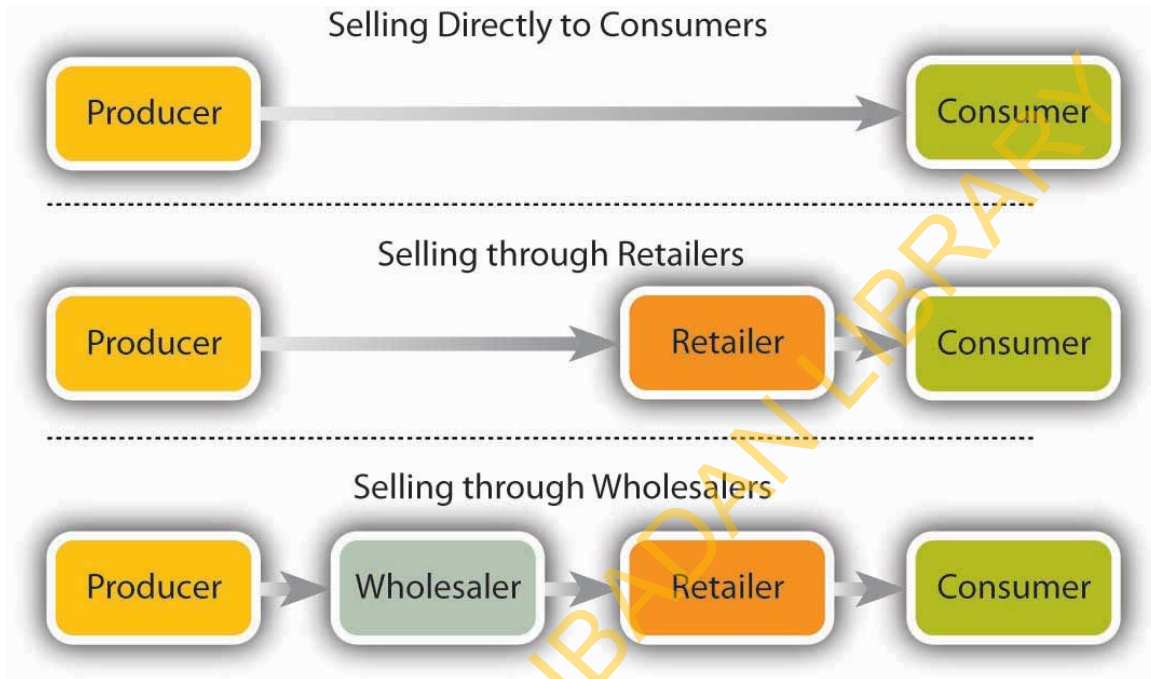
## 11.1 Channels of Distribution

A channel of distribution for a product has been defined as the route taken by the title to the ultimate consumer or industrial users. A channel always includes both the producer and the final customer for the product, as well as all middlemen involved in the title transfer. Channels of distribution are the most powerful element among marketing mix elements. Many products which were intrinsically sound have died in their infancy because they never had the right road to the market. However, by developing a sound distribution network and launching aggressive advertisement campaigns, a company can carve out a niche for itself. Many Nigerian manufacturers took advantage of the distribution



network built by erstwhile companies. This may be attributed to costs and time and goodwill of the distributors concerned. However, it is better to study the distribution network before launching a product.

**Figure 11.1 Distribution Channels** | web-books.com



The functions performed by the members of the marketing channels include:

1. **Information:** Gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment, needed for planning and aiding exchange.
2. **Promotion:** Developing and spreading persuasive communications about an offer.
3. **Contact:** Finding and communicating with prospective buyers and suppliers.
4. **Matching:** Shaping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling and packaging.
5. **Negotiation:** Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
6. **Physical distribution:** Transferring and storing goods.
7. **Financing:** Acquiring and using funds to cover the costs of the channel work.
8. **Risk-taking:** Assuming the risks of carrying out the channel work.

### 11.1.1 The Importance of Channels of Distribution

The importance of channels of distribution is summarized below:

1. Channels of distribution are the most powerful element among marketing mix elements. Many products which were intrinsically sound died in their infancy because they never found the right road to the markets.
2. Channels take care of the transaction aspects of marketing, including the selling, the financing and the risk taking associated with strong products in anticipation of future sales.
3. They perform the logical function of moving products from the point of production to the point of purchase.
4. They help producers promote goods and services.

**ITQ**

**Question**

The last link in the channel of distribution is

- a. Producer
- b. Wholesaler
- c. Retailer
- d. consumer

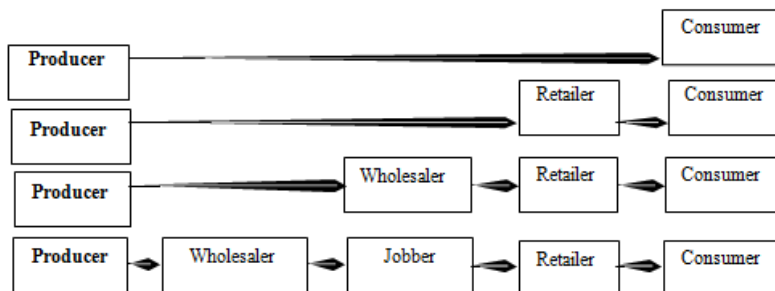
**Feedback**

If we examine this question well, then we will know that the last link in every channel of distribution is the consumer. The right option is D.

## 11.2 Types of Marketing Channels

Marketing channels can be described by the number of channel levels involved. Each layer of middlemen that perform some work in bringing the product and its ownership closer to the final buyer is a channel level. Because the producer and the final consumer both perform some work, they are part of every channel. The number is used because of intermediary levels to indicate the length of a channel. All of the institutions in the channel are connected by several types of flows. These include the physical flow of products, the flow of ownership, the payment flow, the information flow, and the promotion flow. You should now take a look at two types of marketing channels – channels for consumer goods and channels for industrial goods.

**Figure 11.2 A Channel for Consumer Goods | Source Armstrong & Kotler (1984)**



### **11.2.1 Producer to the Consumers**

When there are no intermediaries between the producer and the consumer, the channel is direct. This type of channel is most commonly used with organisational products, especially where the product is new. This is aimed at creating awareness and to gain access to target consumers.

### **11.2.2 Producer to Retailer to the Consumer**

The channel from producer to retailer to the consumer is common when the retail establishments involved are relatively large.

### **11.2.3 Producer to Wholesaler to Retailer to the Consumer**

The most common channel for consumer goods. It employs a wholesaler to take care of the shipping and transportation needs. Wholesalers offer the accumulating and allocating functions that allow small producers to interact with large retailers, and vice versa.

### **11.2.4 Producer to Wholesaler to Jobber to Retailer to the Consumer**

The producer chooses to use agents (Jobbers) to assist the wholesalers in marketing goods. The use of Jobbers could be attributed to their specialized experiences.

### **11.2.5 Manufacturer to Industrial Customer (Buyer)**

From the diagram above, manufacturers use direct marketing to distribute their products to the industrial users. This is mostly associated with complex products that require a good deal of pre-sale and post-sale support. It should be noted that post-sale support is often best handled through a direct channel, because the manufacturer might be the only entity with sufficient expertise to help the customer because these large accounts generate enough business to support the sales effort involved, and because large customers have a habit of going through their economic weight to demand for personalized service.

### **11.2.6 Manufacturer to Industrial Distributor to Industrial Customer**

This is the most used channel for industrial products. Distributors take title to the goods and specialize in different lines of goods. Some of the disadvantages associated with this channel are that:

1. Distributors will want access to large accounts that the manufacturer may try to keep for itself.
2. Distributors try to keep their product selections wide, which frequently means carrying competing lines.

3. Sometimes distributors do not always respond to manufacturers' advice regarding promotions, pricing and operational policies.
4. This channel of distribution for industrial goods is mostly adopted by manufacturers which wish to maintain control over their products. It also applies to those goods that are sold across countries. Other factors include cultural factors, and government policies and so on.
5. The fourth channel of distribution is adopted by manufacturers which wish to have control of marketing activities of their products. However, some titles to the goods are given to industrial distributors, who sell to the industrial customers when needed and at the quantity needed.

### ITQ

#### Question

Where a new product is just introduced to the market, which of the types of distribution channel do you consider most effective.

- a. Producer to consumers
- b. Producer to retailer to consumer
- c. Producer to wholesaler to retailer to consumer
- d. Producer to wholesaler to jobber to retailer to consumer

#### Feedback

You will recall that we discussed this in this segment. When a new product is just introduced to the market, the best distribution channel is straight from the producer to the consumers. The right option is A.

## 11.4 Selecting an Appropriate Channel

You need to know that the channel decisions are important for two reasons. The costs involved in the use of a channel entail the price that the consumer has to pay. The channel decision also has a bearing on other marketing decisions like pricing and product line. Through proper market feedback, an appropriate selection of channels can reduce fluctuations in production. A rational decision regarding choice of channels of distribution should ensure:

1. maximum geographical coverage of the markets
2. maximum promotional efforts, and
3. minimum cost.
4. Meanwhile, the following factors usually govern the selection of channels:

### 11.4.1 The Type of Product

For selling perishable products like bread and milk or vegetable, it is important to have a short channel of distribution which facilitates quick movement from the factory to the consumers. Limited channels may also be employed where the movement of goods involves heavy freight and poses problems of transportation for such goods as furniture, refrigerators, and air conditioners. However, distribution of products having lower units and high turnover involves a large number of

middlemen as in the case of products matches, soap, and toothpaste. When the product requires after-sale service as in the case of television, air conditioners, and automobiles, the choice of middlemen may be limited to only those who are in a position to provide these services. Since not many middlemen may be capable of providing such services, again their number may be limited.

### 11.4.2 Nature and Extent of the Market

If the number of consumers is small as in number or it is the case of bulky and expensive machinery, the manufacturer may approach the customer directly through his own sales force; so also, if the consumers are concentrated in a limited geographical area. If the above conditions are not applicable, a longer channel may have to be chosen. However, for industrial goods where such goods are bulky, manufacturers may adopt direct selling/marketing.

### 11.4.3 Competitive Characteristics

It is a wise policy to study the existing channels of distribution, particularly those used by competitors. Channels design is influenced by the competitors' channels. Producers may want to compete in or near the same outlets carrying the competition channels. However, where an established channel exists, the manufacturer may make use of customary channels. For example, for soap and toothpaste, grocery stores are commonly used.

### 11.4.4 Costs Involved in Distribution

Cost, no doubt, is a very important consideration. The longer the channel of distribution, the greater its cost. Thus, manufacturers look for ways to keep down the cost and prefer distribution through middlemen who have their own established sales force as it is more economical and involves less financial commitment. Wholesalers shoulder some of the responsibilities of cost of stocking and transporting goods. But the manufacturers have to provide them with a margin which will either reduce their costs or increase the cost to the buyers. The task of manufacturers does not end after the channels have been selected. They have to review the services performed by these agencies involved at fairly frequent intervals. They should keep in close touch with the changes related to the distribution of their products, and seek to improve their marketing methods constantly.

#### ITQ

##### Question

Which of the following options in distribution channel would a producer go for?

- The one that costs little and will reach a very few consumers
- The one that costs much and will reach a large number of consumers
- The one that costs little and will reach a large number of consumers

- d. The one that costs much and will reach a few consumers

#### Feedback

Looking at each of the options, the producer will best go for one that will cost him little and still reach a large number of consumers. C is the right option.

## 11.4 Types of Middlemen

Before we will start to list types of middlemen that exist, let us first look at what a middleman is. Who is a middleman? A middleman is a person who buys goods from producers and sells them to retailers or consumers. Now, let us look at the different types of middlemen that exist.

### 11.4.1 Wholesalers

There are also different types of wholesalers. For the course, we will be focusing on the merchant wholesaler.

1. Merchants Wholesalers: Independently owned businesses that take title to the merchandise they handled. In different trades, they are called different names, such as Jobbers, distributors or mill supply houses. They fall into two categories: Full-service Wholesalers and Limited-service Wholesalers.
  - a. Full-Service Wholesalers: Provide a full line of services: carrying stocks, maintaining a sales force, offering credit, making deliveries, and providing management assistance. There are two types of full-service wholesalers: wholesale merchants and industrial distributors.
  - b. Limited-Service Wholesalers: Offer fewer services to their suppliers and customers than full-service wholesalers. Limited-service wholesalers are of several types: cash and carry wholesalers, truck wholesalers, drop shippers, rack jobbers, producers' cooperatives, and mail-order wholesalers.



Note

It should be noted that there are several other types of wholesalers which you can research on at your convenience.

Services provided to the manufacturers by wholesalers include:

1. The Manufacturers Get the Benefit of Bulk Orders from Wholesalers. Manufacturers need not take the trouble or incur the expenses of procuring large numbers of small orders.
2. Wholesalers Provide Up-to-Date Information for Future Planning. Wholesalers remain in close touch with the retailers and keep themselves informed about the changes in the direction and pattern of demand and thus help the manufacturers in planning their production.
3. Wholesalers Place Bulk Orders. The wholesalers place bulk orders with the manufacturer and thus enable him to concentrate on production.

4. Wholesalers Relieve the Manufacturers: The manufacturers are relieved of worries by wholesalers through performance of most marketing functions as discussed in Study Session one.

### 11.4.2 Retailers

Retailing includes all the marketing activities carried out by the retailers, aimed to satisfy the consumers' demands while making profits. This involves selling of goods or services directly to final consumers for their personal and business uses. A retailer is defined as a middleman who sells mainly to the ultimate consumer. He may sell to institutions but most of his sales are made to industrial or household consumers. He usually sells in small lots. The retailer is the last link and the most important intermediary in the chain of distribution. The basic features of retail trading are the purchase of goods from wholesalers and selling in small lots to consumers.

The retail shops especially in Nigeria are one of the oldest and most widely used business establishments in a country. Retail business originated through the use of peddlers engaged in house to house sales. This was followed by opening up of small retail shops usually owned by sole proprietors or small partnership firms, which are frequented by customers for obtaining their requirements. Examples of these retailers are those small business owners located at our house-step premises. These include Mama Iyabo's Retail Store, Alhaji Bala's Retail Store, Mr. Okoro's Spare Parts Store and so on.

#### Types of Retailers

There is a wide variety of retail trading establishments. They vary from hawkers and peddlers to big departmental stores. Hawkers and peddlers move from door-to-door or to residential houses to sell their goods. Pavement shops usually arrange their wares at busy street corners or busy streets as found in all the streets in Lagos, Kano, Kaduna, Aba, etc. Some traders sell their wares at weekly markets as applies to the rural markets in our communities in Nigeria. Our discussion will be limited to some selected retail stores, namely:

1. Specialty Stores: Carry a narrow product line with a deep assortment with limited line: apparel stores, sporting-goods stores, furniture stores, florists and bookstores. Specialty stores can be sub-classified by the degree of narrowness in their product line. A clothing store would be a single-line store; a men's clothing store would be a limited-line store; and a men's custom-shirt would be a super specialty store and so on.
2. Department Stores: Carry several product lines – typically clothing, home furnishing, and household goods with each line operated as a separate department managed by specialist sellers or merchandisers.
3. (iii) Supermarkets: Relatively large, low-cost, low-margin, high-volume, self-service operations designed to serve the consumer's total needs for food, laundry, and household maintenance products. Supermarkets earn an operating profit of only about 1% on their sales and 10% on their net worth. Despite strong competition from new and innovative competitors like superstores and discount stores, supermarkets remain the most frequently shopped type of

retail store, by average Nigerians, especially among the bankers, oil workers, politicians, etc.

4. **Convenience Stores:** Relatively small stores that are located near residential areas, open long hours, seven days a week, and carry a limited line of high-turnover convenience products. Their long hours and their accessibility by consumers mainly for fill-in purchases make them relatively high-price operators.
5. **Catalogue-Showrooms:** Sell a broad selection of high-mark-up, fast-moving, brand-name goods at discount prices. These include jewelry, power-tools, cameras, suitcases, small appliances, toys, and sporting goods. Customers order the goods through a catalogue or visit the showrooms, pick these goods as and when visiting such stores. Catalogue showrooms make their money by cutting costs and margins to provide low prices that will attract a higher volume of sales.
6. **Cooperative Stores:** Consumers sometimes come together to form cooperative societies to sell goods on retail basis. The basic purpose is to eliminate middlemen and obtain their requirements at lower prices. The capital is subscribed by the members through the purchase of shares of small denominations. Cooperative stores purchase their requirements in bulk from manufacturers or wholesalers, thus enabling the cooperative stores to sell their products at lower prices than the ordinary retailers. It should be noted that there are other types of retail outlets as well.

#### **Functions of Retailers**

The following are some of the functions of retailers:

1. Estimation of the probable demands of the consumers for various types of goods dealt with.
2. Assembling of various types of goods from different wholesalers.
3. Sale of various kinds of products to the consumers as and when needed by target consumers.
4. Physical movement of goods from the wholesaler's warehouses to their own stores.
5. Storage of goods to maintain uninterrupted supply of goods to the consumers.
6. Assumption of risk of loss of goods by fire, theft, deterioration, etc. as long as they are not disposed of to the consumers.
7. Extension of credit to some selected regular customers.
8. Providing information about consumer tastes and preferences to wholesalers/manufacturers.

#### **ITQ**

##### **Question**

A merchant wholesaler can also be called all but one of the following.

- a. Distributor
- b. Broker
- c. Jobber
- d. Mill supply houses



### Feedback

From all the options available to this question, a broker is an odd option here. Thus, option B is the right option.

## Study Session Summary



### Summary

In this Study Session, we have discussed the channels of distribution and types of marketing channels. Also, you have learnt the importance of channels of distribution, selection of appropriate channels, the role of middlemen and types of middlemen and discuss physical distribution tasks.

## Assessment

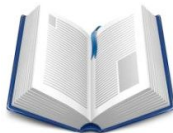


### Assessment

#### SAQ 11.1 (Tests learning outcomes 11.1, 11.2, 11.3, and 11.4)

The production of a product is useless if the channel of distribution of the product is faulty. Discuss.

## Bibliography



### Reading

Akanbi, I.A. (2002). Fundamentals of Marketing. Kaduna, Nigeria: Ayokunle Printer Limited.

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## Study Session 12

# Integrated Marketing Communication

## Introduction

In business, if you do not say here I am, nobody knows there you are. This simply explains how important marketing communication is. In this Study Session, you shall be equipped with the meaning of integrated marketing communication, analyses and determinants of promotion mix as well as what constitutes a promotion budget.

## Learning Outcomes



Outcomes

When you have studied this session, you should be able to:

- 12.1 *define* integrated marketing communication
- 12.2 *analyze* promotion mix and its determinants
- 12.3 *present* promotion budget

## Terminology

<b>Marketing communication</b>	Focuses on any way a business communicates a message to its desired market, or the market in general.
<b>Promotion mix</b>	A specific combination of promotional methods used for one product or a family of products.

## 12.1 Defining Integrated Marketing Communication

American Association of Advertising Agencies defines Integrated Marketing Communication (IMC) as a concept of marketing communications planning that recognizes the added value of a comprehensive plan. This plan involves the strategic roles of a variety of communication tools such as general advertising, direct response, sales promotion and public relations. Also, the wide range of communication tools, messages and audiences makes it imperative that companies move

toward integrated marketing communication. For instance, multiple media deployed within a tightly defined time frame can increase message reach and impact.

As a matter of fact, research has shown that promotions can be more effective when combined with advertising. Even some companies are coordinating their online and offline communication activities. However, one of the reasons why Integrated Marketing Communication (IMC) has taken its hold in most organisations is that several communication experts know very little about other communication tools beyond advertising. There is the issue of uncoordinated communication and image diffusion. IMC has the ability to produce stronger message consistency and greater sales impact. Also, it improves an organization's ability to reach the right customers with right messages at the right time and in the right place.

### ITQ

#### Question

Which of the following tools is most used by communication experts for promotion?

- a. Advertising
- b. Personal selling
- c. Publicity
- d. Sales promotion

#### Feedback

It is clearly stated in this segment that advertising is the most used promotion method. In fact, man a communication expert does not use other methods. The right option is A.

## 12.2 The Promotion Mix

In your daily life, you are exposed to various tools of promotion aiming at communicating one thing or the other to you. To illustrate this, while at home you come across advertisements when reading a newspaper, watching TV, listening to radio or even examining the water, electricity or telephone bills; on your way to the office similar communications face you on bus panels, roadside hoardings, neon signs, posters and banners and so on. At a retail shop, these take the shape of traffic builders, product displays, streamers, hangers, bins and so on, all sharing information relating to a specific product of a company. Listed below are just few types of the various promotion tools available to a marketer. Before proceeding, let us take a look at the definitions of the four major methods of promotion. These are: advertising, personal selling, sales promotion and publicity. The committee on Definitions of the American Marketing Association defined these components as follows:

**Table 12.1: Relatives Advantages and Disadvantages of Promotion Components**

Promotional Component	Scope	Cost	Advantages	Disadvantages
Advertising	Mass	Relatively inexpensive per contract	Allows expressive-ness and control over message	Hard to measure result
Personal Selling	Personal	Expensive per contract	Permits flexible presentation and gains immediate response	Costs more than all other forms per contact
Sales Promotion	Mass	Can be costly	Gains attention and has immediate effect to imitate	Easy for others
Publicity	Mass	Inexpensive	Has a high degree of credibility	Not as easily controlled as other forms

Source: Adapted from David J. Rachman and Elaine Romano (1980).

**Advertising:** Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. It includes the use of such media as magazines, newspaper, outdoor posters, direct mail novelties, radio, television, bus posters, catalogues, directories, programs and circulars.

**Personal Selling:** Oral presentation is a conversation with one or more prospective purchasers for the purpose of making sales.

**Sales Promotion:** Those marketing activities, other than personal selling, advertising, and publicity, that stimulate consumer purchasing and dealer effectiveness such as non-routine selling efforts. These are usually short-term activities.

**Publicity:** Non-personal stimulation of demand for a product, service or business unit by generating commercially significant news about it in published media or obtaining favourable presentation of it on radio, television, or stage. Unlike advertising, this form of promotion is not paid for by the sponsor.

Although definitions vary about the number of components that constitute promotion, marketing practice shows that almost all marketing activities influence the promotion function. Notably, packaging performs the promotion function in addition to providing protection to the product. By incorporating creativity in its design, a package can add the ‘pick-me-up appeal to the product and also help to communicate its features, uses and benefits more effectively. The promotion aspect of packaging is witnessing a bit of revolution in Nigeria nowadays with the introduction of innovative package in the field of consumer goods, for example, package design of Pepsi and edible oils and so on.

Public relations, likewise, performs an important role in promotion insofar as it helps to create a favourable image of the firm and allows the public to experience better satisfaction in dealing with the firm. High and consistent product quality, provision of superior customer services, and price promotions as a way of increasing short-term sales and compatibility between the character of distribution outlets and the product are the other ways which contribute to the promotion function of firm.

## ITQ

### Question

Which of the following promotion methods is less expensive, has a wide reach, BUT does not allow for control of the message?

- a. Advertising
- b. Personal selling
- c. Publicity
- d. Sales promotion

### Feedback

From what we have studied so far in this segment and what is seen in the table as well, options B and D do not fit into this definition. However, it cannot be advertising because although advertising is less expensive and has a wide reach, it is not true that advertising does not allow for a control of the promotion message. It is Publicity that meets this criterion. Hence, the right option is C.

## 12.2.1 Determining Promotion Mix

Marketers hardly rely on only one promotion method. They make use of two or more methods to accomplish promotion and marketing objectives. When a firm makes use of more than one promotion method for one product, the promotion methods used constitute the promotion mix for that product. For example, while TV spots, newspaper and fashion magazine advertisements, and attractive festival displays at the authorized retail shops constitute the promotion mix of textile fabrics specialized industry magazines and participation in national and international exhibition of clothing materials and cosmetics goods may constitute the promotion for women generally.

The promotion function being linked with the ever changing market environment is a dynamic function. The promotion mix, therefore, acquires the dimension of dynamism and varies from product to product over a period of time. Quite similar to the problems faced by a marketer in the determination of the optimal marketing mix are the problems faced in the determination of the promotion mix. The task involved is rather more complex due to cross-substitutability of the various promotion methods (i.e. each method is capable of achieving what the other method may achieve) thereby making the measurement of promotional effectiveness more difficult. Notwithstanding these difficulties, factors as mentioned below act as the major determinants of the promotion mix:

### **Type of Product**

In terms of the promotion task involved, the type of product is the major influence on the promotion-mix. For example, a low priced, frequently purchased, consumer convenience item, say a toilet soap, a brand of toothpaste or a cigarette will require that repeat message influencing and reminding the existing consumers, and persuading the new consumers, be used in a mass manner and at a high frequency. Newspaper and magazine advertisements, TV spots and Cinema Slides, offer of incentives to consumers and organisation of contests will, therefore, constitute the 'promotion mix' of such consumer goods. Now let us think of an industrial product, say a special purpose machine tool washing machine, which has a high unit value, is technical in nature, is purchased in-frequently and requires demonstration and conviction before it gets sold. Personal selling, quite obviously, becomes indispensable for such a product along with organizing product demonstrations and exhibitions, holding seminars, etc. These then constitute the promotion mix in the case of an industrial good with newspaper advertising playing only the limited role of keeping the public informed about the company's activities and accomplishments. Publicity, however, to the extent that it projects the desired image of the company, plays a more important role.

### **Nature of Market**

The locational characteristics of the customers, intensity of competition in the marketplace and the requirements of wholesalers and retailers influence the promotion mix relating to the product in their own way. For example, if the target audience of a consumer product is both large as well as widely dispersed in different parts of the country such as soft drink like Coca-Cola, Pepsi-Cola, and double cola, advertising and sales promotions emerge to be both more effective and economical promotional methods than the others. This is why advertising and sales promotions are so dominant among consumer goods companies. Personal selling also has a role to play among consumer goods companies but limited mainly to wholesalers and retailers who receive greater focus for activities such as pushing inventories, conducting displays, etc.

### **Stage in Product Life Cycle**

The promotion mix changes with the movement of the product from one stage to the other in its life cycle. For example, when the product is in the introduction and early growth stages, and the tasks involved are that of building and motivating trials of the product, the promotion mix comprises publicity, informative advertising, consumer sales promotions and trade deals. Later, as the product reaches the maturity stage, and goals of maintaining brand loyalty and creating brand preferences become more important, aggressive brand advertising and dealer promotions become the key components of the promotion mix.

### **The Available Budget**

Each method of promotion has certain costs associated with it. The level at which each promotion method is to be used and the selection of the

promotion mix is dependent on the promotion budget of the firm. Firms with small promotional budgets have to be content with more localized area activity, using dealer displays, wall writings, personal selling, and other less sophisticated methods. It needs to be emphasized here that for the promotion function to be effective the minimum threshold level must always be exceeded.

### Company Policy

In the final analysis an aggressive consideration of the above four determinants of the company's own marketing and promotion policy determines the mix. Important factors here include the conviction of the top management in the role of promotion and its various components, the product marketing company strategy, and the type of corporate image it wants to project. For example, a company even under the seller's market might still believe in keeping a high profile in public and thus may go for extensive publicity and advertising programs. Yet another company in the same industry may rely more on personal selling, and continue to grow by maintaining its promotions at a low key.

#### ITQ

##### Question

In terms of promotion task, which of the following is most influential on the promotion mix?

- a. Company policy
- b. Type of product
- c. Nature of market
- d. Available budget.

##### Feedback

While not saying that all the factors on the promotion mix are not influential, one takes a primal position above others and that is the type of product. The right option is B.

## 12.3 The Promotion Budget

As noted above, the promotion budget influences the level of promotional activity as well as the promotion mix used by the firm. Budgeting for promotion is yet another area where a lot of subjectivity prevails regarding what is the right amount to be spent on the promotion function. Pending any clear-cut relationship between the promotion expenditure and the achievement of promotion objectives, some decisions are made based on the rules of the thumb. These are:

1. Incremental promotional expenditure yields incremental sales to a certain extent;
2. A minimum level of promotion activity must be exceeded for promotion to have a meaningful effect. Often such a minimum level of promotion is set by the competitor or more appropriately by an average of the industry.
3. Promotion activities when well integrated with other elements of the marketing mix produce greater than the planned results.

The above discussion should not, however, lead us to understand that no attempts have been made to shed light on the inherent uncertainty shrouding the cause-effect relationship in this area of promotion budgeting. In fact, quite a few notable attempts have been made by economists in terms of application of marginal cost and marginal revenue principle (additional promotional expenditure and additional revenue and profits made), and by marketing researchers through experimentation and model building approaches. The substance of their findings is that results of the promotion function should be constantly monitored in order to establish more reliable parameters of cost-benefit relationship. Further, cost-benefit analysis should form the basis of the trade-off before the promotion budget is finalized by using any one of the following methods. These methods include per cent-of-sales method, fixed-sum per unit, affordable funds, competitive parity, and objective and task method.

### **12.3.1 Percent-of-Sales**

This method views promotion budget determination by linking the appropriation to a fixed percentage of sales of the company products. Such sales may relate to the previous year, an average of sales of the previous few years, projected sale of the next year or years, or an average of the previous few years sales, as well as the projected sales of the next years. This method though simple to use fails to account for the changing promotional costs, and relating the appropriations made to the product-market needs. Particular difficulties are faced if the sales curve of a company is not smooth, hence resulting in lower outlays for the years that follow the bad sales years. Also, the forecast sales realizations remain uncertain. The way out attempted has been the adjustment provision of a fixed percentage to the average expenditure of the past (i.e. last year plus 15%), or use of this method in combination with the others that are discussed below.

### **12.3.2 Fixed-Sum per Unit**

Very much like the per cent-of-sales, under this method the promotion budget is determined by allocation of a fixed amount of money per physical unit of product for either past or future sales or a combination of the two. The only differentiating point of this method from the percent-of-sales method is that the base for budgeting, instead of being naira sales, is the number of product unit sold or targeted to be sold. This method thus, has almost the same strengths and weaknesses as the ones associated with per cent-of-sales method, namely, simplicity in the determination but arbitrariness in arriving at the percentage of per unit allocation.

### **12.3.3 Affordable Funds**

Continuing to think on the plan that promotion expenditure is one of those business costs which are desirable or avoidable as per the convenience of the top management, the funds for promotion are appropriated on a discretionary basis under this method. No wonder then, that companies adopting this method find their promotion



appropriations fluctuating from year to year depending on the top management's thinking for the year.

### 12.3.4 Competitive Parity

Incorporating a measure of competitiveness in planning, this method guides the budget determination in terms of relativity to what the competitors are likely to allocate. Being a slightly more market-oriented method than the ones discussed so far, since it is based on the representative average of the industry promotion expenditure; it becomes a good norm to moderate the promotion expenditure of a company.

### 12.3.5 Objective and Task Method

This is one of the most scientific methods of budget determination. It approaches the budget exercise by first setting the specific objectives to be achieved. It then identifies the tasks involved in achieving the said objectives followed by ascertaining the costs involved in the performance of each task required. The result of the exercise is an estimation of the amount required for accomplishing the set promotion goals. Typical objectives might be to increase awareness say by 15% or increase message/theme recall say by 25%. Indeed, it is a good method as far as promotion budgeting for new products is concerned, or when a new thrust to the image of a company and its products is to be provided.

This method presupposes that objectives set are realistic and promotion results can be measured precisely. These assumptions continue to be the subject of unending debate at the one end, and of pursuit of research on the other. It is as a result of the continuing research that some models for promotion budgeting have been developed and are now being refined to be of practical utility to marketers.

#### ITQ

##### Question

Under which promotion budget method is the promotion budget determined by allocation of a fixed amount of money per physical unit of product for either past or future sales or a combination of the two?

- a. per cent-of-sales method
- b. fixed- sum per unit
- c. affordable funds
- d. competitive parity

##### Feedback

Can you still recall what each of the options mean? Good! Since you can you will agree that this explanation above fits option B alone.

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## Study Session Summary



### Summary

In this Study Session, you have discussed integrated marketing communication. In addition, you have been exposed to promotion mix, how to determine promotion mix and promotion budget.

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## Assessment



### Assessment

#### SAQ 12.1 (Tests learning outcomes 12.1, 12.2 and 12.3)

Discuss the idea of integrated marketing communication with emphasis on promotion mix.

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## Study Session 13

# Marketing Research and its Applications

## Introduction

Investment in research is very essential for the survival of a business organization. Through this, there will always be availability of information required to improve the quality of the organizational decision-making. Therefore, this Study Session will introduce you to marketing research and its sub-elements as they affect marketing activities.

## Learning Outcomes



### Outcomes

When you have studied this session, you should be able to:

- 13.1 *outline* the purpose of marketing research
- 13.2 *conduct* marketing research following stipulated procedure
- 13.3 *discuss* applications of marketing research
- 13.4 *identify* problems of conducting marketing research in Nigeria

## Terminology

<b>Market research</b>	The process of assessing the viability of a new good or service through research conducted directly with the consumer which allows a company to discover the target market and record opinions and other input from consumers regarding interest in the product.
<b>Research design</b>	The overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data.

## 13.1 What is Marketing Research?

The American Marketing Association defines marketing research as the systematic gathering, recording and analyzing of data about problems related to the marketing of goods and services. Marketing research has been defined as ... the systematic, objective and exhaustive search for

and study of the facts relevant to any problem in the field of marketing. It would be useful to add the word 'continuous' to these two definitions to make them even more meaningful. A study conducted today may lose much of its relevance by next year and may need updating, modification or even an entirely new effort. The rate of change in information would depend on the specific product and customer segment with which you are dealing. If your firm is marketing bathroom fittings, you are dealing with functional products. The functions these fittings will service, for example, in 1995, are the same as what they serve today. Therefore, you may not use extensive marketing research to understand the changes in customer tastes, because the variations in the designs (given the functional character of the product) which you can introduce are very limited. However, you would like to know what new colours and materials are preferred by the customers and undertake research for this purpose.

### ITQ

#### Question

A market research which was conducted for a product ten years ago is always valid. TRUE/FALSE.

#### Feedback

As it was noted in this segment, the place 'continuous' in market research cannot be understated. The dynamics and realities of the market change with time and so a market research conducted, even last year, may not be valid this year any longer.

### 13.1.1 Purpose of Marketing Research

The basic purpose of marketing research is to facilitate the decision-making process. A manager has before him a number of alternative solutions to choose from in response to every marketing problem and situation. In the absence of market information, he may make the choice on the basis of his hunch. By doing so, the manager is taking a big risk because he has no concrete evidence to evaluate these alternatives in comparison with others or to assess its possible outcome. But with the help of information provided by marketing research, the manager can reduce the number of alternate choices to one, two or three, and the possible outcome of each choice is also known. Thus, the decision-making process becomes a little easier.

The second purpose of marketing research is that it helps to reduce the risk associated with the process of decision-making. The risk arises because of two types of uncertainties: uncertainty about the expected outcome of the decision, and uncertainty about the future. Uncertainty about the expected outcome of the decision will always remain no matter how much information you may have collected to base your decision on hard facts.

The risk also arises because of uncertainty of what will happen in the future, the way the customers or distributors would behave, the manner in which the competition will react, and so on. To the extent that research provides information about the future, it anticipates the future, thus

providing the manager with a solid basis for his decision-making. However, it cannot provide perfectly exact or accurate information. But since the techniques of marketing research are based on scientific methods of collecting, analyzing and interpreting data, its findings and projects, at the least, provide a definite trend of scenarios for future decision-making.

The third purpose of marketing research is that it helps firms in discovering opportunities which can be profitably exploited. These opportunities may exist in the form of untapped customer needs or wants not catered to by the existing firms. Food Specialties Limited (manufacturers of Nescafe Coffee, Lactogen Powdered Milk) have recently introduced in the Indian market a dairy whitener (as a substitute for milk) called 'Every Day' to be used for making tea and coffee. The product has proved to be a success because it is most convenient for use in offices, where tea and coffee are consumed in large quantities but milk is not easy to procure. Every Day fulfils a slot in the market for powdered milk which was not being catered to by the existing milk powders brands.

## ITQ

### Question

Which of the following is a basic purpose of market research?

- a. It helps firms in discovering opportunities which can be profitably exploited.
- b. It helps to reduce the risk associated with the process of decision-making.
- c. It facilitates the decision-making process.
- d. All of the above.

### Feedback

All of options A, B, and C are purposes of market research but not all of them are basic. The only basic purpose of market research is C.

## 13.1.2 The Scope of Marketing Research

Marketing research (MR) is concerned with all aspects of marketing, relating to product design and development, product-mix, pricing, packaging, branding, sales, distribution, competition, target customer segments and their buying behaviour, advertising and its impact. Specifically, the scope of MR includes customers, products, distribution, advertising, competitive information and macro-level phenomenon. These are explained below:

1. Marketing is concerned with identifying and fulfilling customer needs and wants. Thus, MR should precede marketing. The unfulfilled wants should first be identified and translated into technically and economically feasible product ideas, which then should be marketed to the customers. However, mere identification of customer wants is not enough. Marketing requires continuous effort to improve the existing product, increase sales and beat the competition. For this, it is important to know who the customers are

for your products (whether housewives, teenagers, children), what their socio-economic profile is (in terms of income, education, cultural, religious and professional background) and where they are concentrated in terms of location.

2. The second area which is of direct concern for MR is product and product design. MR is helpful in determining the final design of the product and its physical attributes of colour, size, shape, packaging, and brand name. It is useful in arriving at the right combination of product mix, the number of variations of the basic product, accessories and attachments. It can also help decide the quantities to be produced according to the projected demand estimates. MR can also be used to gauge customer reactions to different prices.
3. Marketing research helps in discovering what types of distribution channels and retail outlets are most profitable for your product. On the basis of comparative information for different channels and different types of outlets, you can choose the combination most suitable for your product. Distributor, stockist, wholesaler or retailer may represent one kind of distribution channel in contrast to another in which you may use only the distributor and retailer.
4. Most companies provide advertising support for their products. In some cases, the amount spent on advertising may be small, while in others, it may run into millions of naira. Irrespective of the actual amount spent on advertising, each firm would like to maximize the return on every naira that it spends. Marketing research can help the firm to do this. Research can provide information on the most cost-effective media, help determine the advertising budget, measure the effectiveness of specific advertisements, advertising campaigns and the entire advertising strategy. Research also provides information on the size and type of audiences for different advertising media channels. This information can be used to refine the advertising strategy to make it more relevant and sharply focused. Advertising research is also helpful in determining customer perceptions about the image of specific branches and companies.
5. Marketing research is being increasingly used at the macro-level. Government of Nigeria spends colossal amounts on various socio-economic development schemes and projects. If the objectives of these projects are not in tune with the prevailing consumer tastes, attitudes and values, the entire amount may prove to be a total waste. Just as a business organisation needs MR to monitor the efficacy of its strategy in achieving the objectives, so does the government and its departments.

### ITQ

#### Question

The scope of market research includes all but one of the following.

- a. Customers
- b. Products
- c. Distribution
- d. Employees.

#### Feedback

Which of the options did you choose? Well, if you had chosen any other option besides D, then you got it wrong. This is because all the other options besides D are part of the scope of marketing research.

## 13.2 Marketing Research Procedure

You should know that marketing research is undertaken in order to improve the understanding about a marketing situation or problem and consequently improve the quality of decision-making related to it. The usefulness of the marketing research output will depend upon the way the research has been designed and implemented at each stage of the process. There are five steps in every marketing research process: problem definition, research design, field work, data analysis, report presentation and implementation.

### 13.2.1 Problem Definition

A problem is any situation which requires further investigations. However, not all marketing problems need further investigation or research. Many problems are of a routine and trivial nature which can be solved immediately after ascertaining all the facts of the case. It is very important that you define the problem for research properly. It is correctly said that 'a problem well defined is half-solved'. Clear, precise, to the point statement of the problem itself provides clues for the solution. On the other hand, a vague, general, or inaccurate statement of the problem only confuses the researcher and can lead to wrong problems being researched and useless results generated. Since problem definition is the first stage, useful information generated is likely to be unstructured, qualitative, tentative and exploratory. Depending on the results generated at this stage, you would decide whether to extend the scope of research or stop it here.

### 13.2.2 Research Design

If you have stated your problem correctly and precisely, you should be able to spell out the precise objectives for research. Now you are in a position to prepare your research design. The research design spells out how you are going to achieve the stated research objectives. The data collection methods, the specific research instrument and the sampling plan that you will use for collecting data and the corresponding cost are the elements that constitute the research design.

**Data Collection Method:** A great deal of data is regularly collected and disseminated by international bodies such as the International Labour Organisation, World Bank, International Monetary Fund, Government and its many agencies including Planning Commission, Central Statistical Organisation, Census Commission, private research organisations, and trade associations. This kind of data which has already been collected by another organisation and not by you is known as secondary data. This secondary data already exists in an accessible form; it only has to be located. You must first check whether any secondary data is available on the subject matter into which you are researching and make use of it, since it will save considerable time and

money. However, the data must be scrutinized properly since it was originally collected perhaps for another purpose. The data must also be checked for reliability, relevance and accuracy. When secondary data is not available or is not reliable, you would need to collect original data to suit your objectives. Original data collected specifically for a current research are known as primary data. Primary data can be collected from customers, retailers, distributors, manufacturers or other information sources. Primary data may be collected through any of the three methods: observation, survey and experimentation.

In the observation method, the researcher gathers information by observing. This method is generally used to observe buyer behaviour in a shop or to assess the impact of shelf placement and point of purchase promotional material. For instance, you may like to observe the movement of shopping traffic through a department store, the number of shoppers who stopped before a particular display and so on. The obvious limitation of the observation method is that it follows observation of only overt behaviour. It provides no clues why a customer behaved in a particular manner, what product attributes appealed most to him/her, whether he/she would like to buy the product again and so on. Such data can be generated by using the survey method. The survey method can also yield information about the socio-economic profile of your customers. The survey may either be conducted within a small group of customers through the focus group interview or may cover a large number of customers with the help of a questionnaire. In the focus group interview, five to fifteen customers are invited for a discussion on a specific product or a specific aspect of the product. The customers' comments provide valuable insight into their thinking which can help the manager to fine-tune his marketing strategy to suit different customer segments. Surveys conducted with the help of questionnaires often take off from the focus group interview which yields excellent clues for designing the questionnaire. The questionnaire based surveys yield not only qualitative but also quantitative data which can have statistical validity.

The third method of collecting data is through experimentation. This is basically a simulation of the real-life situation, but in a controlled environment in which you systematically introduce certain elements to study their impact. This method is used for finding the best sales-training technique, the best price level, or the most effective advertisement campaign. However, its use requires an extremely skilled researcher to ensure results. Also, this method is expensive. Research Instrument In the observation method, the researcher may use a camera, tape recorder or daily sheet (a sheet in which the number of times an event occurs is recorded). Whatever the instrument used, the researcher must ensure that the instrument is appropriate to the occasion and is reliable.

In the survey method, the most commonly used instrument is the questionnaire. This is a written and organized format containing all the questions relevant to soliciting the required information. The construction of a questionnaire requires great skill. To check that the questionnaire serves the necessary purpose, it should be tested on a limited scale and this is technically known as a pilot survey. The objective of a pilot survey



is to weed out unnecessary questions, questions which are difficult to answer, and improve the phrasing of certain questions which are difficult to comprehend. In constructing a questionnaire, the important points to be considered are the types of questions to be asked, wording of questions and sequencing of questions. Each question should be checked to evaluate its necessity in terms of fulfilling the research objectives. Furthermore, the questions should be such that the respondent can answer them easily. Questions which require the respondent to answer questions about events which occurred a long time ago or about which they do not have direct knowledge should be avoided since you are not likely to get very accurate responses. The question should have direct relevance to the problem being researched. Too many irrelevant questions will only increase the length of the questionnaire (which would only put off the respondent) and also add to the burden of analysis without yielding any useful result.

In deciding on the sampling size, you have to make a trade-off between the desired accuracy of the results and your budget. The larger the sample, the more accurate are the results likely to be, but the cost would also be correspondingly high. Another factor affecting the sample size is the kind of research which is being conducted. In exploratory research even a small sample may be sufficient. In focus-group interviews and motivation-research studies, very small sample sizes are sufficient because here the emphasis is on qualitative aspects rather than accuracy of numbers.

The fourth element in the sampling plan is the sampling procedure. How should you reach your sample units: personally, by mail or by telephone. Personal interviewing is most suited when there are many questions to be asked and it is important to ensure that the questions are understood properly. Thus, wherever the questions are a little complex, personal interviewing should be used. This is also the best method to ensure that correct answers are given which can be corroborated by the interviewer through observation. But this technique requires a skilled interviewer and a great deal of administration and supervision. Also, it is the most expensive of the three methods.

The mail questionnaire is extremely appropriate when your sampling units are distributed over a wide geographical area and the cost of reaching them personally is very high. However, the return rate of mail questionnaires is usually very low, ranging between three and seven per cent. On an average, you would have to mail 1000 questionnaires to get back thirty filled up questionnaires. Another drawback is that you have no way of checking the authenticity and accuracy of the response. The respondent may fill totally wrong information and you may never be able to detect it. The telephone interview combines advantages of both personal and mail interviews. It allows you to clarify questions which may not be clearly understood by the respondent and to reach a widely scattered sample at a relatively low cost. But the obvious disadvantage is that your sample is restricted to the people who have telephones. Also, you cannot conduct very long interviews over the telephone.

With regard to cost, no information can be collected without incurring cost. Before undertaking a research project, its cost should be calculated

and assessed against the benefits it would yield in improving the quality of decision-making. If the benefits outweigh the cost, it is certainly worthwhile initiating the research.

### **13.2.3 Field Work**

This is the stage where the research design has to be converted from the planning stage to that of implementation. To achieve the stated research objectives, data has to be collected. This data collection is known as field work. The two stages in field work are planning and supervision.

1. **Planning:** It has to be planned how many people will be assigned to the field, what will be their geographical areas of coverage, how many days will be required for the entire operation and what is the pattern to be used for choosing sample units (every fourth household in a lane, all flats with an even number in an apartment 'block', etc.). All this planning has to be done in accordance with the details spelt out in the sampling plan.
2. **Supervision:** Supervision is an extremely important input to ensure that the data collected is genuine and accurate. Most field work is carried out by a team of field surveyors, and each team is assigned to a supervisor. The team members would plan their daily area of field work in consultation with the supervisor. The supervisor may accompany different team members on different days. In the evening the team would meet the supervisor, hand over the data which they have collected and sort out any problems they may have faced.

Apart from actually accompanying team members on data collection missions, the supervisor would also make random checks to ensure that the data collected is genuine. The check can be conducted either over the telephone (wherever possible) or by again visiting the sampling unit. The supervisor may either ask the respondent whether he or she was visited by the field interviewer and cross-check the accuracy of the data. Random checking is carried out to ensure that the field workers do actually collect data from the genuine source of information and not just fill in the data using their own imagination ingenuity.

### **13.2.4 Data Analysis**

After you have collected the data, you need to process, organize and arrange it in a format that makes it easy to understand and directly helps the decision-making process. Raw data has to be processed and analyzed to obtain information. There are three phases for analyzing the data:

#### **Classifying the Raw Data**

The most common classifications in marketing research are quantitative, qualitative, chronological and geographical.

1. **Quantitative:** In this classification, data is classified by a numerical measure such as number of respondents in each market segment, number of years employed, number of family members, number of units consumed, number of brands stocked or some such numerical characteristic.

2. Qualitative: In this classification, the data is classified by some non-numerical attributes such as type of occupation, type of family structure (nuclear or joint family), type of retail outlet (specialty, general merchant, department store and so on).
3. Chronological: Chronological classification is that in which data is classified according to the time when the event occurred. In geographical classification, the data is classified according to the time when the event occurred.

### Summarizing the Data

The first step in summarizing the data is the tabulation. Individual observations or data are placed in a suitable classification in which they occur and then counted. Thus, we know the number of times or the frequency with which a particular data occurs. Such tabulation leads to a frequency distribution.

Selecting Analytical Methods: Besides having a summary of the data, the marketing manager also would like information on interrelationships between variables and the qualitative aspects of the variables. This can be achieved through:

- (a) correlation
- (b) regression analysis
- (c) multiple regression analysis
- (d) others.

### 13.2.5 Report Presentation and Implementation

The final step is the preparation, presentation and implementation of a report giving the major findings and recommendations. A typical format of the report may comprise the following sections:

1. Objectives and methodology in which the research objectives are stated and details of the sampling plan are described.
2. Summary of conclusions and recommendations in which the main findings of the research are highlighted. On the basis of the findings, some recommendations may be made.
3. Sample and its characteristics, which contain descriptions of the sampling units in terms of their geographical location, socio-economic profile and other relevant details.
4. Detailed findings and observations in which the data which was collected is presented in a form which is easily comprehensible to the user. The data may be presented in tabular form or graphically in a bar chart, pictogram or pie diagram; or in a combination of all these.

#### ITQ

##### Question

The first step in every market research process is

- a. Problem definition
- b. Research design
- c. Data analysis
- d. Field work

##### Feedback

Which of the options did you choose? For any market research process to commence, the first step is to identify what the problem is. Thus, problem definition is the first step (option A).

## 13.3 Applications of Marketing Research

The broad areas of application of marketing research are sales and market analysis, product research, advertising, business economics and corporate research, and corporate responsibility.

### 13.3.1 Sales and Market Analysis

**Determination of Market Potential:** The market potential is the total amount of a product or product group which could be sold to a market in a specified time period and under given conditions. Market potential is applicable in case of a new product, a modified version of an existing product, or an existing product to be introduced in a new geographical market.

1. **Determination of Market Share:** In case of an existing product, a company may be interested to know the percentage share of the market which their brand commands.
2. **Sales Forecasting:** Sales forecasting is an attempt to predict the sales level at a given point in the future on the basis of the existing information. Sales forecasting is applicable to both existing products as well as new products. The sales may be calculated either in units or in value. Basically, there are two types of forecasts – short-term and long-term. The short-term forecast has its basis more in the growth pattern of the industry to which the product belongs and the business cycle operating in the industry.
3. **Design of Market Segmentation Studies:** A market is a group of potential customers who have something in common. The common factor may be a geographical area, sex (after shave lotion is used only by men), age (toys for children under 5, between 5 & 7, and so on.), physical characteristic (weak eyesight, overweight), income, lifestyle, and so on. Children comprise the market for toys. But in this broad category, the market can be viewed to be made up of many smaller markets or segments: one market for pre-school children, another for school-going children, one market comprised of educational toys, one for mechanical toys, one for electrical toys, one for indoor games, etc. The choice before the marketing manager is whether to cater for the broad market of toys or to only one or two of the specific market segments. MR can help answer questions such as ‘To what extent should the market segmentation be pursued?’ and ‘What should be the basis for segmentation?’
4. **Test Market:** This is a controlled experiment to predict sales or profit consequence of the various marketing strategies. It refers to trying out something in a particular market before extending it on a larger scale. You may have noticed advertisements for soaps, or snack foods which sometimes carry the message ‘available only in Lagos’ or ‘available only in Onitsha’. Test marketing is used not only for new products, but also for researching into the impact on sales of

- retail level promotional displays and promotional schemes such as coupons and discounts.
5. Distribution Channel Studies: Market research can be used to determine the most effective and profitable distribution channels for different types of products.
  6. Determination of Market Characteristics: Research surveys can be conducted to collect information about the market characteristics which would help a new entrant plan his entry or help an existing company focus its strategy more sharply for increasing market share. Information can be collected on the number of brands competing in the market, state of technology prevailing in the market, geographical concentration and dispersal of customers, nature of outlets selling the products, number of such retail outlets, etc.
  7. Determination of Competitive Information: Research can provide information on the marketing strategies used by various competing brands and the 'unique selling proposition' of each.

### ITQ

#### Question

----- is an attempt to predict the sales level at a given point in the future on the basis of the existing information.

- a. Determination of market shares
- b. Determination of market characteristics
- c. Sales forecasting
- d. Test market

#### Feedback

The right option here is C. SALES FORECASTING INVOLVES PROJECTING THE LEVEL OF SALES IN THE FUTURE.

### 13.3.2 Product Research

This can be used for:

1. Evaluation of new product ideas
2. Testing for new product acceptance
3. Evaluating the need for change in product formulation
4. Testing package design in terms of aesthetic appeal, protection for the product, and ability to withstand transportation and stocking ordeal
5. Testing for product positioning. For example, should a new brand of tea be positioned on the basis of its fragrance and taste, or colour and strength, or price?

### 13.3.3 Business Economics and Corporate Research

Business economics and corporate research includes:

1. Studies of Business Trends: These are to determine industries with growth potential and those facing a stagnant future.

2. Pricing Studies: These are to estimate the demand level at different prices. Such studies reveal the extent to which customers are sensitive to price changes, and provide valuable clues to the market or in assessing the impact of price increase or decrease on sales.
3. Diversifications Studies: These provide information on the profitable new opportunities of business growth which a firm can consider for diversification. The diversification may be into totally new and unknown areas or into allied areas.
4. Product-Mix Studies: If a firm is considering diversifying into allied product areas, it may like to find out the product-mix combinations which would optimize its existing resources and provide synergy for growth. A company in the business of cooking oil would like to do research into one or more of the following products for arriving at a 'synergistic' product-mix: butter, spices, dehydrated foods, frozen foods, instant food mixes, custard powder, branded wheat flour and rice.
5. Plant and Warehouse Location Studies: Research is also needed to determine the best possible location for setting up a new plant. Before arriving at a decision, a firm would need to research into factors such as availability of raw material and labour, proximity to market place, telecommunication and transport infrastructure, financial, taxation and other incentives applicable to each location. In case of warehouse location, you would research into movement patterns of goods to different cities, high sale potential areas versus low sale potential areas, number of checks for quality needed enroute the destination to final customer, benefit of conducting these checks against the cost of acquiring and maintaining a warehouse and convenient rail/road connections.

### ITQ

#### Question

A market research done to estimate the demand level at different prices is called

- a. Product-mix studies
- b. Plant and warehouse location studies
- c. Diversification studies
- d. Pricing studies

#### Feedback

You will notice that this question is concerned with pricing. Thus, the right option is D.

### 13.3.4 Advertising Research

Advertising research includes:

1. Audience Measurement This is carried out on advertisements appearing in different media such as newspapers, magazines, journals, radio, TV, outdoor hoardings, kiosks, bus side panels, etc. The objective of this type of research is to estimate the audience size of each media channel (e.g. print or electronic responses).

2. Determining the Most Cost-Effective Media Plan Each media channel has its unique advantages and disadvantages, and each media vehicle has its own cost structure. Research can be used to find out the best media vehicle by matching your product characteristics with the audience profiles of different media vehicles and the respective cost of advertising in these.
3. Copy Testing One approach for researching into the effectiveness of the copy (the words or pictures of the advert) is to test the following elements:
  - a. Basic themes, ideas, appeals
  - b. Headlines baseline, pictures, jingle, story sequence
  - c. Pre-testing whole advertisements in rough or finished form
  - d. Pre-testing the effect of repetition to simulate a campaign (all the above can be tested under simulated conditions)
  - e. After the advertisements have been released, post-testing them individually in their normal media
4. The other approach for conducting research is to assess the copy or the entire advertisement/campaign for the following:
  - assessing for its attention value, interest value and arousal, - testing for communication clarity, - testing for their effect on consumer attitudes, - testing for their effect on purchase behaviour.
5. Determining Advertising Effectiveness After the advertisements have been released, it is important to monitor their impact in terms of achieving the intended objective(s). To what extent has the advertising achieved its objective of creating brand awareness, creating corporate image, educating the customers about the product usage, and so on. The effectiveness is always determined in relation to the cost incurred.

### 13.3.5 Consumer Behaviour Research

Consumer behaviour research includes:

1. To determine who the customers of the product (men, women, children, working women, housewives, retired people) are and profile them in terms of their socio-economic background, age, religion and occupation.
2. To find out where the customers are located.
3. To determine their motivations to purchase your brand of product.
4. To determine their buying behaviour pattern in terms of identifying sources of information and influence, and sequence of purchase decision.
5. To find out the post-purchase satisfaction level of customers.

## 13.4 Problems of Conducting Marketing Research in Nigeria

The biggest problem confronting anyone who sets out to conduct research in Nigeria is the meagre secondary data. The census which contains a wealth of data takes many years to be conducted, like the 2006 census conducted and result released in January, 2007. Data contained in

journals and handbooks are usually two to three years old. Thus, whatever data is available is usually obsolete and this greatly reduces its utility.

In collecting primary data, the problems are those of widely scattered sampling units, location or scope of sampling units in remote and inaccessible areas, and poor communication facilities which compound the problem of inaccessibility. If the sampling units are the industrial units in the unorganized sector, there is no guide for locating these units. The other kind of problem encountered in collecting primary data is the uncooperative attitude of respondents arising out of sheer lack of knowledge about the nature of MR and its utility. Respondents often view interviewers with suspicion and may refuse to give any information.

Most of the market research organisations are located in the cities and have an urban-bias to the extent that they have neither a penetration/base in the rural areas and cannot easily communicate properly with the rural people. Most market research is conducted in the cities for products used by city dwellers. State-of the art marketing research in Nigeria has not reached sophisticated levels as in America or Europe. The marketing research techniques used here are still relatively unsophisticated and simplistic.

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## Study Session Summary



### Summary

In this Study Session, you have been taken through the context of marketing decisions; you have learnt the definition, purpose and scope of marketing research. Also, you been taught marketing research procedure and how and where to apply marketing research. Lastly, you have been exposed to problems of conducting marketing research in Nigeria.

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## Assessment



### Assessment

#### SAQ 13.1 (Tests learning outcomes 13.1, 13.2 and 13.3)

Discuss the meaning, purpose, scope, procedure, and application of market research.

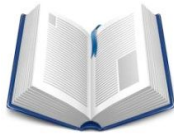
#### SAQ 13.2 (Tests learning outcome 13.4)

Discuss the problem of conducting a market research in Nigeria.



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## Notes on Self Assessment Questions

### FEEDBACK TO SAQ 1.1

This question is woven round defining the meaning of marketing, stating its importance, and highlighting those things that are marketable. It is expected that you mention and discuss some of the definitions of marketing that we have discussed here, it is also important to state out the importance of MARKETING A PRODUCT. the answer should round off on the note of highlighting

### FEEDBACK TO SAQ 1.2

In the course of this study session, we looked at the differences between selling and marketing on one hand and need and wants. Our answer must tell us how want is different from need on one hand, and how selling is different from marketing on the other.

### FEEDBACK TO SAQ 2.1

In answering this question, it is expected that you discuss the history of marketing. Your discussion of the history of marketing must note that marketing is as old as humans. You are expected to trace the origin from pristine times to the post-World war II era. Importantly, the roles played by scholars such as Joe Robinson and Wanded Smith must be mentioned.

Having done this, you can now proceed to look at the functions of marketing which are divided into three broad categories namely, merchandising function, physical distribution and auxiliary function. It is expected that you round off by looking at the roles of marketing as discussed in the last segment of this session.

### FEEDBACK TO SAQ 3.1

This question requires you to give a short explanation of each of the concepts. In writing about a market, we expect that you will note that a market can both be actual and virtual. You may attempt a definition of the term too.

It is expected that your discussion of who a marketer is will lead you to who a prospect is. In the same vein, your explanation of what an exchange is expected to forerun you into what a transaction is.

### FEEDBACK TO SAQ 4.1

This question requires you to first attempt a definition of marketing environment. Your definition is expected to note that a marketing environment has three sub-environments which are the micro-environment, macro-environment, and marketing environment. In discussing the micro-environment and macro-environment, it is expected that you note the components of each as well as what each means. For micro-environment, it is expected that you mention factors such as suppliers, competitors, intermediaries, employees and consumers as factors that affect the micro-environment. It is also expected that you mention the technological environment, economic environment, social environment, physical environment, and institutional environment as factors that affect the macro-environment.

### FEEDBACK TO SAQ 4.2

In answering this question, it is expected that you note that whatever SME you want to consider, you will be looking at the strength, weaknesses, opportunities, and threats that the SMEs have to deal

with.

#### FEEDBACK TO SAQ 5.1

In answering this question, it is important that you first try to define what market segmentation is all about. Having done the definition, you are then expected to look at the bases for market segmentation. These include geographical, demographical, psychographic, and behavioural segmentation. Suffice that you are to explain each of them as well as their components. Your discussion of the conditions for an effective market segmentation must take Substitutability, Measurability, actionability, and Accessibility into your discussion.

#### FEEDBACK TO SAQ 5.2

It is important that you start this discussion by looking at the meaning of market segmentation as a background. After this, you can then go ahead and highlight the benefits of market segmentation as o have them in 5.2 of this session.

#### FEEDBACK TO SAQ 6.1

The first step to answering this question is to attempt to define marketing mix you're your definition of it, you cannot but come to the four Ps of marketing mix which are product, pricing, place, and promotion. It is expected that you explain each of these inputs. Having done that, you are expected look at the role of pricing and advertising in the marketing mix. In your explanation, we expect that you will note that advertising gives a public awareness of the product and an organization may decide to increase advert rather than reduce price or vice versa.

#### FEEDBACK TO SAQ 7.1

As usual, the first step is to define what a product is. The next step then is to highlight and discuss the product levels which are core benefits, basic product, expected product, augment product, and potential product. It is important that you show that the product levels points us to the types of products which are the consumer products and industrial products, as well as the various forms of each type.

#### FEEDBACK TO SAQ 8.1

In answering this question, you must define what a life cycle is viz-a-viz what a product's life cycle is. It is expected that you highlight the product life cycle from development stage, introductory stage to decline stage as well as explain what each is all about. Having done this, the next step is to explain the place of the marketing mix in each of these stages, particularly from the introductory stage to the decline stage.

#### FEEDBACK TO SAQ 8.2

Since this question bothers on the introduction of a new product, we expect you to highlight each of the stages from generation of ideas, screening of ideas, concept testing, to product launching. It is expected that you explain each of the stages.

#### FEEDBACK TO SAQ 9.1

In answering this question, it is expected that you define packaging. After this, outlining the reasons for packaging, which are to protect a product's content from getting spoilt, to implement a company's marketing programme, to increase profit possibilities, etc., is next. The next step then is to point out the function of packaging which includes protection and appeal. In explaining the growth in the spread of the use of packaging, we expect you to note the reasons behind this. It is also important that you discuss the legal implications as well as the criticisms against the idea of packaging.

#### FEEDBACK TO SAQ 9.2

This question requires you to try discuss the meaning of labeling, its functions, its legal implications, as well as the arguments for and against it. Also, efforts must be made to explain what a warranty is as against what a guaranty is.

#### FEEDBACK TO SAQ 10.1

You need to understand that this question requires you to explain all that is there to know about branding. In other words, you are expected to discuss from the meaning in relation with other ancillary concepts, the importance of branding, the features of a good branding, why or why not to brand, brand decisions, and the idea of brand repositioning. Suffice that over and above highlighting the points for each, it is imperative that you discuss them as well.

#### FEEDBACK TO SAQ 11.1

This questions requires you to discuss the importance of a channel of distribution. It requires you to explain what is meant by a channel of distribution. It is also important to point out the importance of a channel of distribution as well as the various types of distribution channel, given that one has to make a choice out of the many distribution channels available. We expect that you will point out that certain factors influence the choice of distribution channel as well as point out these factors. Needless to say that your answer should try explain the role of middlemen in the channel of distribution.

#### FEEDBACK TO SAQ 12.1

As a background to answering this question, you are expected to define what integrated marketing communication and promotion mix are. It is expected that you note the tools of integrated marketing communication. In explaining what promotion mix is, it is imperative to discuss the different methods and how the mix to settle for is determined. As a way of rounding off, it is necessary that you discuss the place of promotion budget as it is capital that pushes promotion.

#### FEEDBACK TO SAQ 13.1

This question requires you to give us a background of what marketing research means as well as its purpose. After identifying its three purposes as learnt in this session, it is required that you discuss the scope of Marketing research which are customers, products, distribution, advertising, competitive information and macro-level phenomenon. In your discussion of the procedure or process for market research, it is expected that you take the process chronologically as problem definition, research design, field work, data analysis, report presentation and implementation. When discussing the application of marketing research, the broad areas that we expect you to cover are sales and market analysis, product research, advertising, business economics and corporate research, and corporate responsibility.

#### FEEDBACK TO SAQ 13.2

This question requires that you examine what the problem is in conducting marketing research in Nigeria. In your discussion, it is expected that the problem of secondary data paucity should suffice. In addition to this, other problems such as respondents suspicion as regards interviewers, among other things should suffice.