

3.2.4 Product Life Cycle:

A product experiences cycles and has a life of its own. Although various items have various life cycles, most products follow the conventional product life cycle.

Knowing where a product is in its life cycle can give you important information about how to place your product in the market in terms of price, advertising, and distribution if you're thinking of entering an industry and producing a product. Four stages commonly occur over a product's lifecycle. Each stage is different and calls for stage-specific marketing tactics.



Introduction Stage: During this phase, customers are introduced to a novel and unheard-of product. Sales are modest, the production method is new, and economies of scale or the experience curve haven't reduced costs yet. The goal of the promotion strategy is to familiarize customers with the product. The pricing strategy is intended to attract new customers and encourage them to try the product.

Growth Stage: Sales increase quickly during this period of growth. Customers are prepared to purchase the product since they are familiar with it. Both new consumers and returning consumers are drawn to the market. The business may need a significant influx of finance and experience to ramp up production quickly. As the company goes down the experience curve and realizes economies of scale, costs are reduced. Profit margins are typically high. Although new competitors may enter the industry, there isn't much competition because it's expanding quickly. To capitalize on the expanding sector, promotion and pricing methods are updated.

Mature Stage: At this point, the market has reached saturation. Production has finally caught up with demand, and the rate of demand increase abruptly decreases. The number of first-time buyers is low. Repeat business is the norm for buyers. When competition is fierce, aggressive pricing and advertising strategies are used to either gain market share from rivals or simply hold onto it. Although size economies and experience curves are reached, aggressive pricing strategies frequently result in lower profit margins. Despite efforts by businesses to differentiate their offerings, the items end up becoming increasingly uniform.

Decline Stage: During this phase, sales decline as customers switch to other items. The competition is fiercely competitive. Due to low profit margins and falling sales, profits dry up. Some companies quit the sector. The remaining companies aim to rekindle consumer interest in the good. If they are prosperous, sales can start to increase. If not, sales will either stabilize or keep declining.

3.4 PRICING

Any good or service's exchange value is represented by its price. A key component of the marketing mix is price. The four key marketing mix components are pricing, venue, product, and promotion. Except for price, every other component of the marketing mix causes the organization to lose money. Price is the only component of the marketing mix that brings in money for the business. Price includes all expenses incurred by the business in producing the product and bringing it to market for the consumer. Company constantly set prices so that they would receive a return on their investment and avoid losses. The costs incurred by the company include those for production, administration, selling, and distribution. All of these expenses can be met by reasonable pricing. The price a company charges shouldn't be excessively high or low. If the price paid is excessively high, the client will switch to a competing offering. If the price charged is too low, it will be challenging for the business to recover its start-up costs, raising concerns about its viability.

3.4.1 Objective of Pricing:

1. Survival

Pricing's first goal must be survival. The business relies on sales to meet expenses. The manager of the company is constantly looking for price solutions that will ensure the long-term viability of the company. Price contributes to the existing business' stability and progress toward expansion.

2. Return on investment

A company should price its goods so that they provide a minimum return on investment. Every business has a specific goal to have a minimal return on investment. The company should make at least INR 75 lakhs annually if it has invested INT 5 crore in the business overall and expects a 15% return on investment. Companies should define their product pricing strategies while keeping ROI in mind.

3. Increase market share

Pricing is a key factor in a company's ability to grow its market share. If a corporation believes that its market share in the industry is poor, it should adjust its pricing tactics in order to attain the desired market share in the sector. As an illustration, if a company is in the FMCG sector and has a low market share, it should either cut prices or extend offers to customers.

4. Competition

Pricing is a barrier to entry for new competitors in industries similar to our own. The business changed its price policies to counter the rival. A corporation should consider the price of its rivals when setting the price for its goods. Sometimes a business would even sell its products for less to keep a rival off the market.

5. Customer Satisfaction

The customer is the product's ultimate user. Customer happiness enables the business to expand its market share. A fair pricing policy aids the business in gaining the confidence and trust of its clients. Once a company has the customer's trust in its product, they may expand more quickly and provide the client with greater services.

6. Corporate image

An effective pricing strategy can affect a company's reputation in the marketplace. By setting acceptable prices, businesses help consumers form positive perceptions of them. A positive customer perception can help the business gain more clients and expand more quickly.

7. **Launching of new product**

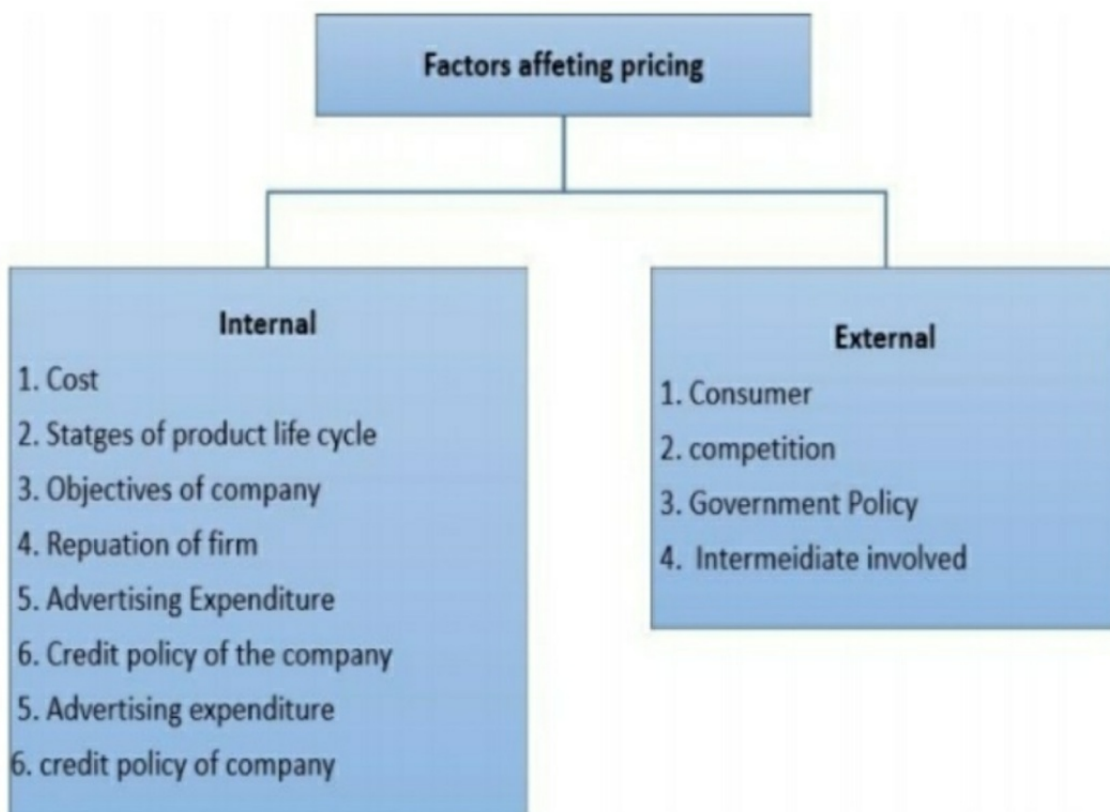
When introducing a new product to the market, an effective pricing plan is crucial. To build a clientele and gain customers' trust, a corporation should normally charge a low price for its goods, as stated in the introduction. The corporation has a low pricing approach for new products to entice customers to buy them.

8. **Stability in pricing**

Companies that charge steady prices for their goods are more favored by consumers in the marketplace. The majority of the corporation bases its seasonal price fluctuations on the product. Stable pricing has aided in attracting more potential customers throughout the year. To eliminate seasonal price fluctuations, the company should use pricing methods.

3.4.2 Factors affecting Pricing Policy:

It is difficult to determine the final pricing for any commodity or service since a number of internal and external factors must be taken into account. The factors listed below influence pricing decisions.



A. INTERNAL FACTOR

1. Cost

Cost refers to any type of expense that a business makes when producing a good. The corporation incurs a variety of variable as well as fixed costs to produce the goods. The corporation must pay both its fixed and variable costs before setting the price for any commodity.

2. *Stages of product lifecycle*

Every product must go through different product lifecycle stages. The stage that the product is in has an impact on price as well. In general, companies charge less when a product is first introduced, more as it grows, and more when it is in its decline stage of life. The company once more lowers the price of its goods.

3. *Objective of company*

The organization's pricing strategy also depends on what the company wants to achieve. If a corporation wants to increase market share, it will sell its products cheaper; if it wants to increase return on investment, it will price its products higher.

4. *Reputation of the firm*

The company's pricing strategy is also impacted by the goodwill of the business. The corporation will be able to charge more for its items if it has a solid reputation in the market. For instance, the Amul company, which enjoys a solid name in the market, charges a high price for its dairy goods.

5. Advertising expenditure

The company's advertising and marketing budget has an impact on pricing strategy. The price will be higher if the corporation spends more on these operations than it does on the things it sells, and vice versa.

6. The company's credit policy.

Every business offers a credit period to the wholesaler or retailer so they can pay back the price they were charged. If a corporation has a policy of extending its credit terms, its prices will be higher. The price paid will be cheaper if the credit period is given for a shorter amount of time.

B. External Factor

1. Customer

Over time, customer preferences and tastes change. Therefore, before setting the pricing for its products, the corporation must evaluate a number of aspects related to its clients. Customer criteria like purchasing power, income level, etc. must be taken into account.

2. Competition

Prior to selecting the price for a product, it is crucial to research the pricing strategies of the competition. If market competition is fierce, the corporation should reinstate lower pricing for its items to gain a competitive edge. When there is a monopoly or little competition, businesses charge more for their goods.

3. *Government policy*

Government rules and regulation are very important before finalizing price of the product. For certain category of goods and services government may announce predetermined price and all companies dealing in such kind of goods and services has to follows the norms of the government.

4. *Intermediaries involved*

To travel goods from company to consumer many intermediaries are involved. Larger the number of intermediaries in supply chain higher will be the price of product and if number of intermediaries is less than price of the product will be less.

3.4.3 Pricing Strategy:

The corporation uses a variety of pricing techniques to meet its varied goals, which include increasing sales, market share, and profit margins. Pricing approaches are distinct from these strategies. In the case of pricing methods, the cost of the company's product is estimated and fixed based on demand, supply, competition, and other factors, whereas in the case of pricing strategies, various planning is done to ensure the product's success in the market.

1. **Skimming pricing strategy.**

When a new product is introduced to the market, this pricing technique is typically adopted. In order to maximise profits during the early phases of a product's lifespan, high-priced goods or services are introduced to the market. Prior to any competitors entering the market with a similar product at a lower price, the company's primary goals are to recoup its initial investment and make a profit on the product. High pricing during the beginning of the product lifecycle, with price reductions over time based on customer response to the company's offerings.

Skimming pricing schemes come in two different varieties.

There are two types of skimming pricing strategies.

- a. **Rapid skimming pricing:** In this technique, the corporation spends a lot of money on advertising and promotion in order to charge a high price for the product.
- b. **Slow skimming pricing:** This method involves introducing a product at a higher price to the market while spending less of the company's budget for advertising and promotion.

2. **Penetration pricing strategy:**

This method involves introducing a product at a higher price to the market while spending less of the company's budget for advertising and promotion.

There are two types of penetration pricing strategy:

- a. **Rapid penetration pricing:** This technique introduces the product at a lower price but spends a lot of money promoting it.
- b. **Slow penetration pricing:** A product is introduced at a reduced price under this technique, but it is promoted with less money spent on advertising.

3. **Uniform pricing strategy:**

A consistent pricing approach is used by businesses to charge the same prices in both urban and rural markets. However, it appears to be highly challenging because prices rely on a number of variables and because normal pricing policies don't apply in both rural and urban settings. In general, rural markets charge cheaper prices whereas urban markets charge higher prices.

4. **Psychological pricing strategy:**

This pricing strategy takes into account the customer's emotional state. In an effort to influence customers psychologically, it actively encouraged them to purchase the goods. For instance, the company can fix the price of a product at INR 4,999 just in order to entice customers to purchase it.

5. **Value based pricing:**

Businesses whose products offer greater gains to customers utilise this pricing technique. Customer value gain will be taken into account, and the corporation will increase the price of its product in line with this. As an illustration, Apple mobile phone charged a higher price for its smartphone since there were no alternatives available to compete with Apple and because Apple offered the customer greater value. Therefore, a corporation raises the price of its product while taking the value gain to the customer into account.

6. **Transfer pricing strategy:**

When transferring goods or services to other subsidiaries under the same holding company, different subsidiaries of Multinational Companies (MNCs) adopt this pricing technique. Transfer pricing lessens the effect of consumer obligations. While the buying company makes money and the transferring firm loses money in its books of accounts because they move items at a lower cost, the balance sheet of the holding company as a whole is unaffected.

7. **Flexible price strategy:**

In this pricing strategy, the business gives its devoted customers a discount. As an illustration, when a corporation introduces a new product, it gives its devoted customers a discount compared to other regular customers. Shopkeepers typically charge their regular customers less than their new customers.

8. **Competitive pricing:**

The price that the company charges for its goods is based on the prices that its rivals charge. However, if the quality of the product differs from that of the competition, this technique might not always be successful.

9. **Differential pricing strategy:**

This pricing method charges a varied price for the same product in several markets. This tactic can be generally divided into the following four categories:

- a. **Customer segment pricing:** Some businesses charge various consumer segments different prices for the same product. This pricing variation results from factors like order size, payment terms, etc.
- b. **Time based pricing:** Businesses that deal in seasonal goods or services typically employ this pricing method. Here, pricing strategy is adjusted in accordance with market supply and demand. For instance, hotels that offer accommodation and boarding facilities charge their customers more during the busy season and less during the slower season.
- c. **Area pricing:** Businesses in various markets charge various prices for comparable goods. For instance, a corporation can offer a new product at a discounted price in a specific location to draw customers.
- d. **Product form pricing:** Different prices are charged in accordance with the weight and proportion of the product in this pricing strategy. For instance, if the cost of a 250 ml soft drink is INR 15, the cost of a 500 ml soft drink won't be double that at INR 30, but rather less, like INR 25. This is because customers will pay a different price when purchasing a larger quantity.

3.5 DISTRIBUTION

3.5.1 Meaning

A company produces a variety of items and services, bringing all of them to the attention of the consumer through a variety of promotional activities including advertising and publicity, among others. It is not sufficient to simply inform people about the arrival of a new product; the product must also be usable by the eventual consumer. Every business' success is based on how quickly it can deliver its products to customers for use. The company's distribution network is crucial in this regard. The distribution channel includes a number of middlemen that help the business get closer to the client. The cost to the corporation increases as more intermediaries are used in the distribution process, but it is important to remember that quick product delivery to the client is essential. Every effort made by the company in the form of promotional activities will be ineffective if the company reduces the intermediaries in the distribution channel to lower the cost of distribution and the product does not reach the customer on time. This is because the demand will increase but the supply will be insufficient due to the improper distribution channel.

3.5.2 Definition of Distribution Channel:

According to Philip Kotler – “Every producer seeks to link together the set of marketing intermediaries is called the marketing Channel also Trade Channel or Channel of Distribution”.

According to Mc Carthy – “Any sequence of institution from the producer to the consumer including one or any number of middlemen is called Channel of Distribution”.

3.5.3 Channels of Distribution:

The route used by the business to deliver the items to customers quickly and conveniently is known as a distribution channel. This route from business to client involves a number of middlemen, including wholesalers, retailers, etc.

MARKETING CHANNELS FOR CONSUMER PRODUCTS



Channel of distribution 1.

Producer ----- Consumer

This distribution route is additionally known as a direct route. As the producer or maker sells the goods or services directly to the final consumer without the assistance of any intermediaries, this is the simplest and shortest channel of distribution. For the businesses, this is incredibly cost-effective because they avoid paying middlemen's commissions. Manufacturing companies are better positioned to manage the distribution chain. Direct mail or providing door-to-door service to customers are two ways the producer sold the items. Some producers have their own retail locations where they sell their products to customers directly. As an illustration, the Bata company sells its footwear from its Bata showroom.

Channel of distribution 2

Producer Retailer —————> Consumer —————>

Because there is just one middleman, a retailer, involved in this distribution channel, it is also known as the "retail channel." In this channel, businesses sell their products or services to large retailers who then handle the logistics of getting the products to the final consumer. Consumer durables are typically distributed through this distribution route. Example Vijay Sales.

Channel of distribution 3

Producer Wholesaler —————> Retailer —————> Consumer —————>

This is a very popular and often used distribution route. Two middlemen—a wholesaler and a retailer—are involved in this distribution channel. In this channel, wholesalers buy products in bulk from producers and resell them to various retailers. The wholesaler sells the goods to retailers, who then sell

them to the final customer. This channel enables the business to expand its market share and quickly deliver a variety of goods across the industry. The cost of the business rises as the number of intermediaries does, but at the same time, the company's sales volume increases, increasing income.

Channel of Distribution 4

Producer Agent → **Wholesaler** → **Retailer** → **Consumer**
→

Agents, wholesalers, and retailers are the three intermediaries that make up this distribution chain. Here, the agent is in charge of distributing the products to a chosen wholesale dealer, who then provides the products to the retailer, who then makes them available to the final client. This method is typically used to distribute goods and services more widely across the country.

3.6 PROMOTION

3.6.1 Meaning

The use of promotion as a marketing tool helps suppliers and buyers communicate with one another. By doing this, the vendor seeks to persuade and influence customers to purchase their goods or services. It helps to inform consumers about the company, its goods, and its services. This procedure is used by the business to enhance its reputation. This marketing strategy piques clients' curiosity and has the potential to turn them into devoted patrons.

The marketing mix, which consists of the four Ps of product, price, location, and promotion, is fundamentally incomplete without promotion. It is also a crucial component of any promotional strategy or mix, which may also include publicity for direct marketing, trade exhibitions, events, and self-and sales promotion.

A few techniques used in this process include an offer, coupon discounts, sample distribution for free, a trial offer, a buy-two-get-one-free deal, a contest, festival discounts, etc. Because customers' responses to discounts and offers are impulsive, product promotion is crucial to helping businesses increase their sales. In other words, promotion is a marketing strategy that entails informing consumers about the products and services that a business provides.

3.6.3 Tools of Promotion Mix:

1. Advertising

The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once. The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. Personal Selling

This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. Sales Promotion

The sales promotion is the short term incentives given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes. With the sales promotion, the company focuses on the increased short-term profits, by attracting both the existing and the new customers.

4. Public Relations

The marketers try to build a favorable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly. The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that the company may use with the intention to bring newsworthy information to the public. E.g. Large Corporates such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. Direct Marketing

With the intent of technology, companies reach customers directly without any intermediaries or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes.

E.g. The Shoppers stop sends SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Thus, the companies can use any tool of the promotion mix depending on the nature of a product as well as the overall objective of the firm.

7. **Online promotion:** This consists of practically all of the promotion mix's components. starting with pay per click advertising for online promotion. sending emails or newsletters as direct marketing. It helps to outspread a word or awareness, promote any newly launched service, goods or an organization. The company uses advertising as a promotional tool as it reaches a mass of people in a few seconds. An advertisement is communicated through many traditional media such as radio, television, outdoor advertising, newspaper or social media. Other contemporary media that supports advertisement are social media, blogs, text messages, and websites.

4.1 SEGMENTATION

4.1.1 Segmentation – MEANING:

The process of segmenting a market into smaller groups or segments of consumers with notably similar needs or characteristics has an impact on various products and marketing strategies. There are numerous factors to consider, so there is no one best way to segment a market. Three significant market segmentation topics are covered in this section: segmenting consumer markets, segmenting online consumers, and segmenting business markets.

4.1.2 Importance of Market Segmentation:

1) Ensures Customer-Oriented Marketing

The market, or consumers, are separated into useful categories with similar traits as a result of market segmentation. Each segment's needs and expectations are taken into account while adjusting the marketing mix. Additionally, it is modified to meet the needs of a certain group of consumers. Marketing becomes customer-oriented as a result. Consumers benefit from its enjoyment and welfare.

2) Make IT Easier to Introduce Appropriate Marketing Mix

Market segmentation offers details on several segments, as well as the characteristics, wants, and expectations of consumers within each group. This gives the marketer the ability to precisely alter his marketing mix to suit the requirements of each segment's customers.

3) Ensures Product Strategy is Introduced with ease

Market segmentation helps customers of various categories understand their requirements and expectations for products. The manufacturer can modify his production in light of the demands and expectations of each market segment thanks to this information.

All consumer group needs will be met by the merchandise. Both the producer and the customer win from this. As a result, it is possible to introduce a proper product strategy.

4) Ensures the Selection of the Best Markets

Market segmentation makes it easier to identify the submarkets that the company can best serve with its limited resources. Due to segmentation technique, a company can focus its efforts on the most profitable and productive areas of the overall market.

5) Ensures Efficient Marketing Opportunities are selected

Market segmentation aids producers by assisting in the identification of prospective market prospects. The ability to differentiate between different client groups within a particular market is helpful to the marketer. He can then choose his target market thanks to this. Additionally, it enables the marketer to efficiently use the existing marketing resources.

6) Ensures Appropriate Marketing Program Selection

Due to the availability of adequate information regarding the needs of customers in the target market, market segmentation enables the marketing professional to design his marketing strategy on a predictable and dependable basis. Even marketing strategies can be employed successfully in a tiny, niche market.

7) Gives Marketing Efforts the Correct Direction

Correctly defined, market segmentation is the tactic of "splitting the markets in order to dominate them." Due to segmentation, a company can focus exclusively on a few attractive sectors and avoid markets that are unproductive or unnecessary for its marketing objectives.

8) Enables efficient Advertising

Because only the media that effectively reach the segments may be used, advertising media can be used more efficiently. In short, market segmentation makes advertising more result-oriented.

9) Gives Small Firms Special Benefits

Small businesses have few resources at their disposal and are relatively new to the market. For better marketing results, these businesses can choose a good market segment and concentrate all of their efforts there.

10) Ensures effective use of Resources

A marketing company can deploy its marketing resources (people, organisation, etc.) in the chosen target market in the most effective way by using market segmentation. The company will benefit most from this in terms of sales, profits, and customer support..