DEPARTMENT OF MANAGEMENT

COURSE TITLE: PRINCIPLES OF MARKETING

COURSE OUTLINE

PRINCIPLES OF MARKETING

Purpose: To provide a student with knowledge of marketing in business promotion

Course Objectives: By the end of the course unit the student will be able to:-

- Introduce the marketing concept and their applications to organizations
- Provide with a framework for understanding the contemporary marketing environment
- Prove with a comprehensive and innovative, managerial and practical introduction to marketing

Course Content:

- Overview of Marketing; marketing philosophies, marketing information systems (research and marketing intelligence)
- The Marketing Environment; consumer behaviour, marketing segmentation, market targeting, market positioning, product decisions, marketing mix of services

Marketing Mix

Channels of

distribution Advertising

Personal Selling

Sales Promotion

Teaching / Learning Methodologies: Lectures and tutorials; group discussion; demonstration; Individual assignment; Case studies

Instructional Materials and Equipment: Projector; test books; design catalogues; computer laboratory; design software; simulators

Recommended Text Books:

Kotler Philip and Gary Armstrong, (2003), *Principles of Marketing*, (7th Edition) Prentice Hall of India

Text Books for further Reading:

Stanton (1994), *Fundamentals of Marketing*, (10th Edition), Singapore; Prentice Hall Inc

Other support materials: Various applicable manuals and journals; variety of electronic information resources as prescribed by the lecturer

Course outline

1. *Overview of marketing:* Defining marketing; core marketing concepts- needs, ants, demands, customer value, customer satisfaction and quality, exchanges, transaction
2. *Marketing management philosophies* : The production concept, the product concept, the selling concept, the marketing concept, the societal marketing concept
3. *Marketing information systems(MIS)*: Functions – information retrieval system, reporting system, classification, measurement and analysis, decision models; sources of competitive information : internal data – from departments ; marketing intelligence- systematic collection and analysis of publicly available information; marketing research- the marketing research process: defining problem and objectives, developing the research plan, gathering data, implementing the research plan
4. *Marketing environment :* Actors and forces affecting marketing management; Macro environment: demographic forces, economic forces, natural forces, technological forces, political forces, cultural forces; Microenvironment: the company, suppliers, marketing intermediaries, customers, competitors, publics
5. *Consumer Behavior :* defining consumer behavior; factors influencing consumer behavior: cultural, social, personal, psychological; buyer decision process: need recognition, information search, evaluation of alternatives, purchase, post purchase behavior; buyer decision process for new products – stages in adoption process; relative time of adoption of innovation;

Marketing strategy : Defining market segmentation; targeting and positioning; major

segmentation variables: geographic, demographic, psychographic, behavioral; requirements for effective segmentation: accessible , substantial , differentiable, actionable, measurable; target market- buyers sharing common needs or characteristics ; target market strategies: undifferentiated marketing, segmented marketing, concentrated marketing, positioning – the way the product is defined by consumers on important attributes; positioning strategy; product decisions

6. Marketing mix: Product, price, promotion, place

Product: concepts of product and services; levels of product, services; product and service classifications; product and services decisions, branding, branding strategic decisions

Services marketing: marketing mix of services- the 8 Ps of services marketing: the 4 Ps plus people, process, physical environment, productivity and quality; characteristics, marketing strategies for service firms

New product development – major stages in new product development; product life cycle characteristics, objectives and strategies; the adoption and diffusion process

Price: considerations in pricing - perceptions of value, value- based pricing, cost-based pricing; internal factors; market-skimming pricing, marketing- penetrating strategies; product mix pricing strategies, price adjustment strategies

Place: distribution channels, channel levels; consumer marketing channel, business marketing channel

Promotion: promotion mix (marketing communication mix): advertising, sales promotion, public relations, personal selling, direct marketing; promotion mix strategies

Advertising: major advertising decisions, advertising strategy – creating advertising messages, selecting advertising media; major media types

Public relations: functions, tools

Personal selling: nature of personal selling; sales force strategy, sales force structure, major steps in sales force management; the personal selling process- major steps in effective selling

Sales promotion: sales promotion objectives, major sales promotion tools

Direct marketing: forms of direct marketing – online marketing, telemarketing, direct-response television marketing, new digital direct marketing, direct-mail marketing, face-to-face marketing, catalog marketing, kiosk marketing

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CHAPTER ONE

1.0 INTRODUCTION

Learning objectives

By the end of this chapter the learner should be able to:

a) *Define term marketing*

b) *Understand and differentiate the core marketing concepts*

c) *Explain the main marketing management philosophies*

d) *Discuss the limitations of marketing management philosophies*

1.1 Definition of marketing

There are various definitions of marketing. One of the common definitions is given by Philip Kotler, a marketing professor. According to Kotler, marketing is a system of business activities designed to plan, price, promote and distribute want satisfying goods and services to target markets, in order to achieve organizational objectives. The American Marketing Association (AMA), defines marketing, as approved in 2007, as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

Marketing is the business function that delivers customer satisfaction at a profit. It creates values for the customers and receives values from the customers in return. Marketing focuses on getting customers, and keeping customers by satisfying their needs. Marketing creates values and satisfaction for the customer. It is the delivery of satisfaction to the customers at a profit. Marketing as defined above is applicable in all these areas:

In the profit-making enterprises

In the government institutions

In other not-for-profit organizations

1.2 Core marketing concepts

The core marketing concepts help to understand the basic principles of marketing. The core concepts include:

Needs, wants, demands
Products and services
Customer value, satisfaction and quality
Exchange, transactions and relationships Market

The core concepts can be summarized in Figure 1 as shown below:

Figure 1. The Core marketing concepts

Let us see briefly the core marketing concepts:

Needs, Wants, and Demands

The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expressi n. These needs were not invented by marketers; they are a basic part of the human makeup.

Wants are the form human needs take as they are shaped by culture and individual personality. An East African needs food but wants Ugali or staple regional dish. Wants are shaped by one's society and are described in terms of objects that will satisfy needs.

People have almost unlimited wants but limited resources. Thus, they want to choose products that provide the most value and satisfaction for their money. When backed by buying power, wants become demands. Consumers view products as bundles of benefits and choose products that give them the best bundle for their money.

Products and Services

People satisfy their needs and wants with products. A product is anything that can be offered to a market to satisfy a need or want. The concept of product is not limited to physical objects; anything that is capable of satisfying a need can be called a product. In addition to tangible goods, products include the intangible product, such as, services, which are activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include the services offered by banks, airlines, hotels, lawyers, accounting professionals, doctors, and mechanics.

Generally, the concept product includes:

- Goods (example, soap, television, mobile handsets)
- Services (example, haircuts, financial planning, and other product offered by accounts, doctors, painters, musicians, repairers, etc)
- Experiences (a trip to the peak of Mount Kilimanjaro, Mount Kenya, Lake Turkana, etc.,)
- Persons (Examples, marathon winners, football stars, etc)
- Places (example, location spot, cities, such as Masaai Mara, the Caribbean beach, Lake Naivasha, Cape Town, etc.,)
- Organizations (Red Cross, National bank, etc,)

Events (example, World Cup, Olympics)

Information (knowledge created and disseminated by universities through teaching and publications; by media through publications, etc.,)

Ideas (example, “ eat healthy food”; organizations’ or individuals’ doctrines, philosophies, etc.,)

Thus, the term product includes much more than just physical goods or services. Consumers decide which events to experience, which dancers to watch on television, which places to visit on vacation, which organizations to support through contributions, and which ideas to adopt. To the consumer, these are all products.

Value, Satisfaction, and Quality

Customer value is the difference between the values the customer gains from owning and using a product and the costs of obtaining the product. Customers often do not judge product values and costs accurately or objectively. They act on perceived value.

Customer satisfaction depends on a product's perceived performance in delivering value relative to a buyer's expectations. If the product's performance falls short of the customer's expectations, the buyer is dissatisfied. If performance matches expectations, the buyer is satisfied. If performance exceeds expectations, the buyer is delighted. Satisfied customers make repeat purchases, and they tell others about their good experiences with the product. The key is to match customer expectations with company performance. Customer satisfaction is closely linked to quality. In recent years, many companies have adopted total quality management (TQM) programs, designed to constantly improve the quality of their products, services, and marketing processes. Quality has a direct impact on product performance and hence on customer satisfaction.

Exchange, Transactions, and Relationships

Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is the act of obtaining a desired object from someone by offering something in return. Exchange is only one of many ways that people can obtain a desired object.

Exchange allows a society to produce much more than it would with any alternative system.

Whereas exchange is the core concept of marketing, a transaction, in turn, is marketing's unit of measurement. A transaction consists of a trade of values between two parties: One party gives money; another part, say, gets books in return.

Beyond creating short-term transactions, marketers need to build long-term relationships with valued customers, distributors, dealers, suppliers and others. They want to build strong economic and social connections by promising and consistently delivering high-quality products, and fair prices. Increasingly, marketing is shifting from trying to maximize the profit on each individual transaction to building mutually beneficial relationships with consumers and other parties, such as customers, employees, suppliers, distributors, and retailers.

Markets

The concepts of exchange and relationships lead to the concept of a market. A market is the set of actual and potential buyers of a product. The size of a market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to offer these resources in exchange for what they want.

1.3 Marketing Management Philosophies

There are major five alternative marketing management philosophies or often which are also known as alternative marketing orientations or concepts under which organizations conduct their marketing activities. These are

- The production concept
- The product concept
- The marketing- orientation/concept
- The societal marketing concept

The Production Concept

The production concept holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is one of the oldest philosophies that guide sellers.

The production concept is still a useful philosophy in two types of situations. The first occurs when the demand for a product exceeds the supply. Here, management should look for ways to increase production. The second situation occurs when the product's cost is too high and improved productivity is needed to bring it down.

The Product Concept

Another major concept guiding sellers, the product concept, holds that consumers will favor products that offer the most in quality, performance, and innovative features. Thus, an organization should devote energy to making continuous product improvements. The product concept can lead to marketing myopia.

The Selling Concept

Many organizations follow the selling concept, which holds that consumers will not buy enough of the organization's products unless it undertakes a large-scale selling and promotion effort. The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as encyclopedias or insurance. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. Such marketing carries high risks. It focuses on creating sales transactions rather than on building long-term, profitable relationships with customers. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions to make about buyers. Most studies show that dissatisfied customers do not buy again.

The Marketing Concept

The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The selling concept and the marketing concept are sometimes confused. The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.

In contrast, many companies claim to practice the marketing concept but do not. They have the forms of marketing, such as a marketing vice president, product managers, marketing plans, and marketing research, but this does not mean that they are market-focused and customer-driven companies. The question is whether they are finely tuned to changing customer needs and competitor strategies. Implementing the marketing concept often means more than simply responding to customers' stated desires and obvious needs. Customer-driven companies research current customers to learn about their desires, gather new product and service ideas, and test proposed product improvements. Such customer-driven marketing usually works well when a clear need exists and when customers know what they want.

The Societal Marketing Concept

The societal marketing concept holds that the organization should determine the needs, wants, and interests of target markets. It should then deliver superior value to customers in a way that maintains or improves the consumer's and the society's well being. The societal marketing concept is the latest of the five marketing management philosophies.

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, worldwide economic problems, and neglected social services. It asks if the firm that senses, serves, and satisfies individual wants is always doing what's best for consumers and society in the long run.

Figure 2 summaries the societal marketing concept; it shows the need for linking and balancing the interests of society, the company and consumers.

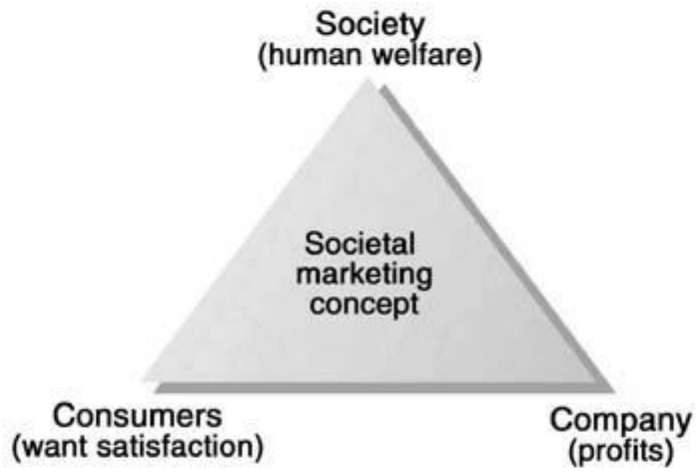

Figure 2. The Societal marketing concept

Review questions

i. *Define the term marketing*
ii. *Explain the concept product as used in marketing*
iii. *Differentiate between the concept needs, wants and demands*
iv. *Explain these marketing management philosophies : production, product, selling, marketing and societal marketing concept*
v. *What do you understand by the term customer value and customer satisfaction?*
vi. *Explain the concept of market as used in marketing*

Further Reading

i. Kotler, P., Gary A. (2008), Principles of Marketing .12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 1
ii. Kotler, P., Kevin L.Keller. (2006). Marketing Management. 12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 1

CHAPETR TWO

2.0 MARKETING ENVIRONMENT

Learning objectives:

By the end of this chapter the learner should be able to :

a) Define the concept of marketing environment
b) Understand and explain the major factors considered in marketing environment
c) Differentiate the external and internal marketing environment
d) Analyze the external and internal marketing environment
e) Use competitive Five- Forces and SWOT models to scan environment
f) Discuss the link between the internal and external marketing environment

Chapter one introduced the definition of marketing, core concepts in marketing and the marketing management philosophies. In chapter two, we focus on marketing environment.

Marketing environment is the factors and actors that influence the decision-making in marketing. Broadly, the marketing environment can be categorized into: the external environment and the internal environment. The internal environment is the one the firm is able to control while the external environment is the one which the firm cannot have a control over.

The external environment can be categorized into:

1. Macro-environment
2. Macro-environment

2.1 Macro-environment

Macro-environment includes the larger societal- level environment that influences the decision-making process in the marketing. It includes:

1. Demographic environment
2. Technological environment
3. Economic environment
4. Political environment
5. Socio-cultural environment
6. Legal environment
7. Natural environment

1. Demographic

   Under this can be mentioned: rural and urban population ration; population growth; demographic shift and age of population.

2. Technology

Under this, we can name: innovation of websites; mobile handsets; internet; e-commerce, e-banking and change in life style due to technology. Change in business patterns due to technology; online transactions, for instance

3. Economic

Economic environment consists of, among others:

Business cycles

Economic growth

Income level

Inflation rate

Interest rates

4. Socio-cultural environment

To indicate some examples:

Change in consumption pattern

Difference in life style

Changing gender roles

Health & environmental issues

Literacy level

Tradition, customs, religion

5. Political environment

   This includes financial policies, such taxation, interest rate policies; Political stability

6. Legal environment : under this legal environment , we can mention, as examples: social legislation and regulations; business laws, tax laws, and advertising laws

2.2 Micro-environment

Micro-environment is the environment that is closer to the firm in comparison to the macro-environment. Under macro-environment comes: competitive environment which requires looking into the rivalries, the emerging firms that may enter into the industry, the substitute product that may replace the existing product (in the manner type writer was replaced by computer, the bargaining power of buyers and suppliers. To analyze the competitive environment, there are various models. Some of these models are the SWOT model , to analyze the strength, weakness , opportunities and threat of firms; the industry(business) Life-Cycle model , to analyze the phase of the business has reached and its future prospect; the competitive Five-Forces model, the model developed by Porter , to understand the attractiveness of the industry and its potential for future growth. Figure 3 illustrates the competitive Five- Forces model:

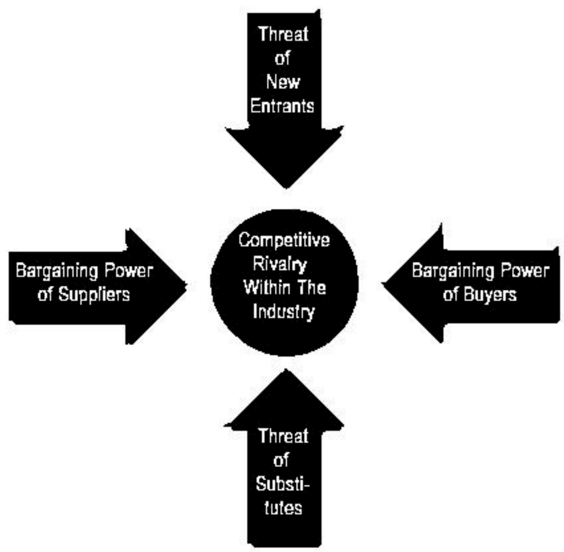

Figure 3. Competitive Five- Forces model

The competitive Five –Forces model helps to analyze, among others:

If the existing or emerging barriers are easy or difficult for the entry of competitors If

the existing products can be easily and, specially, cheaply substituted

If the buyers have strong position or work together to order large

volumes If the suppliers are strong, if they are monopolies

If the rivalry within the competitors has one dominant player, or if there are two dominant players, or many players

Customers

Customers can be buyers from the firm, or suppliers to the firm. customers also shape the decision making process of marketing.

Internal environment

Internal environment marketing looks at the strength, and weaknesses that the firm has and the opportunities it can seize and the threat it may face. The analysis of internal environment makes clear:

The financial resources of the firm

The human resources, such as the capability of the management

The technological resources at its disposal

The organizational culture, such as , culture of

innovation Access to credit

Research and development capability

Intangible asset , such as image, reputation through its brand, customers' perception of the firm

Other infrastructure , such as, buildings and facilities

SWOT Model SWOT model can aid in the analysis of the internal environment.

SWOT stands for Strength, Weakness, Opportunity, and Threat.

Review questions

i. *Distinguish between external and internal environment*
ii. *Discuss factors considered in internal environment*
iii. *Explain telecommunications industry in the country using the competitive Five - Forces model*
iv. *Differentiate between demographic and geographic environment, and also between political environment and legal environment*

Further Reading

i. Kotler, P., Gary A. (2008), Principles of Marketing .12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 3

ii. Kotler, P., Kevin L.Keller. (2006). Marketing Management. 12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 3

CHAPTER THREE

3.0 MARKETING INFORMATION SYSTEMS, MARKETING INTELLIGENCE AND RESEARCH

Learning objectives:

By the end of this chapter the learner should be able to:

a) *Define the concepts marketing information systems, marketing intelligence and marketing research*
b) *Clearly differentiate and relate the major components of marketing information systems*
c) *Discuss the major components of marketing information systems*
d) *Explain the importance of marketing research*
e) *Understand the significance of marketing information systems in a competitive market*

3.1 Defining marketing information systems

All the above three are interrelated. First, let us look at the marketing information systems (MIS). Kotler defines, marketing information systems as follows:

"A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyze, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control.”

3.2 Major component

The major components of the Marketing Information Systems include:

Internal report system

Marketing intelligence system

Marketing research system

Marketing models

Figure 4 illustrates the major components, and other factors that constitute the marketing information systems and its subsystems

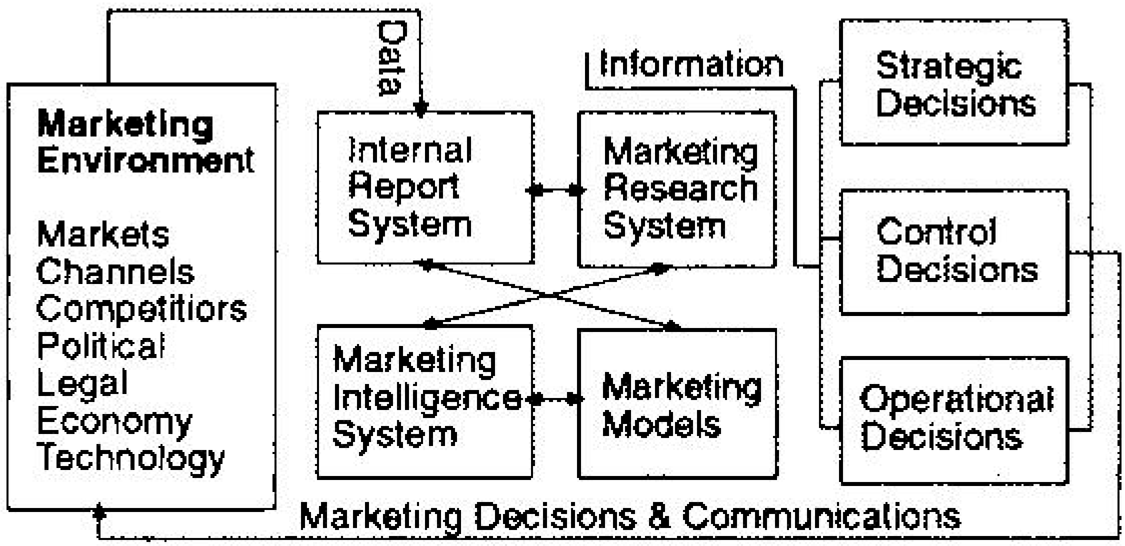

Figure 4. The Marketing information systems and the subsystems

Internal reporting systems: The internal records that are of immediate value to marketing decisions may include orders received, stockholdings, sales invoices, product type, product size, and type of account, volume of sales, product type and size by customer.

Marketing research systems: Marketing research is a proactive search for information. The American Marketing Association defines marketing research, as approved in 2004, as quoted below:

Marketing research is the function that links the consumer, customer, and public to the marketer through information--information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.

Marketing research supports a challenge to face competitive pressure, to meet customer expectation, the demand of expanding market and to reduce the cost of a mistake. Marketing research process consists of

Defining marketing problems

Defining the objectives of the marketing research

Formulating the hypothesis or the research questions Designing the research to collect and analyze data Collecting the data

Analyzing the data

Interpreting the results

Reporting the findings, including the recommendations

Sources of data

Sources of data can be primary data or secondary data or both.

Primary data are the new data gathered specifically for the research project at hand.

Secondary data are available data, already gathered for some purpose. It is common to refer to published authoritative documents, reports, journals, and books to collect data as the secondary data.

Methods of collecting sources of Primary data are:

- Survey
- Interviews
- Telephone surveys
- Mail survey
- Observation method
- Experimental method

Marketing intelligence systems

A marketing intelligence system is a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making. The scanning of the economic and business environment a continuous process.

Marketing intelligence involves scanning newspaper, trade magazines, business journals and reports, economic forecasts and other media. In addition, it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Marketing models

Within the Marketing Information System there has to be the means of interpreting information. Marketing models can be useful in that case. Some of the common models used are:

Time series models, brand switching models, regression and correlation models.

Review questions

Learning objectives:

By the end of this chapter the learner should be able to :

i. *Differentiate marketing information systems and marketing research*
ii. *What is marketing intelligence? Explain how marketing intelligence is carry out*
iii. *With the aid of a schematic diagram, explain the marketing information systems*
iv. *Discuss the data collection methods used in marketing research*

Further Reading

i. Kotler, P., Gary A. (2008), Principles of Marketing .12^{th} edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 4

ii. Kotler, P., Kevin L.Keller. (2006). Marketing Management. 12^{th} edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 3 and Chapter 4

CHAPTER FOUR

4.0 BUYER/CONSUMER BEHAVOIR

Learning objectives:

By the end of this chapter the learner should be able to:

a) *Understand the concept consumer behavior*
b) *Explain the factors that influence the consumer behavior*
c) *Discuss the steps in the buyer's decision process*
d) *Explain four types of consumer buying behavior*

4.1 Defining Consumer Behaviour

Consumer behavior is the decision processes an individual or group involving evaluating, acquiring, using or consuming goods and services. A firm needs to analyze buying behavior for:

a) Buyers reactions to a firms marketing strategy has a great impact on the firms success
b) The marketing concept stresses that a firm should create a marketing mix that satisfies customers, therefore need to analyze the what, where, when and how consumers buy

c) Marketers can better predict how consumers will respond to marketing strategies of they understand the buying behavior

To understand, the buyer decision-making process, the general model of the buyer decision process serves as a tool. This model consists of these five steps or stages, including the post-purchase step or stage:

1. Problem recognition
2. Information search
3. Evaluation of alternatives
4. Purchase decision and purchase
5. Post-purchase behavior

4.2 Models of the buyer decision process

Figure 5 shows the common general model of the decision process.

Figure 5. The buyer decision process

Let us briefly look at the steps, as they are also called stages, of the model.
Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. All consumer decisions do not always include all stages.

1. Problem Recognition: the first step is to recognize that there is a need, for instance, the need for food since the buyer feels hungry; and hunger stimulates the need to eat. That again triggers the need to search information for food.
2. Information search: information search leads to internal search, from memory or to the external search (from media, friends, shopping, internet, etc.,), or from both internal and external search. This stage may lead the stage of evaluating the alternatives. Which type of food to eat? At what price? Where? And when? And how?
3. Evaluation of Alternatives: depending on criteria for evaluation and features the buyer wants or does not want, the buyer chooses the food to buy.
4. Purchase decision : the purchase decision includes product, package, store, method of purchase and timing
5. Purchase: purchase may differ from decision, for instance, time of purchase and product availability.
6. Post-Purchase behavior: this may be *s*atisfaction or dissatisfaction after purchase. There is a concept called Cognitive Dissonance- the situation of doubt about whether the right decision to purchase was made. This can be reduced by warranties, after sales communication and supportive measures.

4.3 Factors affecting the consumer behavior

The factors that affect the characteristics of consumer behavior:

1. Cultural factors
2. Social factors
3. Personal factors
4. Psychological factors

1. Cultural Factors

Consumer behavior is deeply influenced by cultural factors such as: buyer culture, subculture, and social class.

• Culture

Basically, culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries.

• Subculture

Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Firms can use these groups by segmenting the market into various small portions, for example, by designing products according to the needs of a particular geographic group.

• Social Class

Every society possesses some form of social class which is important , because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Here we should note that social class is not only determined by income but there are various other factors as well such as: wealth, education, occupation etc.

2. Social Factors

Social factors also impact the buying behavior of consumers. The important social factors are: reference groups, family, role and status.

• Reference Groups

Reference groups have potential in forming a person attitude or behavior. The impact f reference groups varies across products and brands. For example if the product is visible such as dress, shoes, car etc then the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics).

• Family

Buyer behavior is strongly influenced by the member of a family. Therefore marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a particular product is influenced by wife then the marketers will try to target the women in their advertisement. Here we should note that buying roles change with change in consumer lifestyles.

• Roles and Status

Each person possesses different roles and status in the society depending upon the groups, clubs, family, organization etc. to which he belongs. For example a woman is working in an organization as finance manager. Now she is playing two roles, one of finance manager and other of mother. Therefore her buying decisions will be influenced by her role and status.

3. Personal Factors

Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are: lifestyle, economic situation, occupation, age, personality and self concept.

• Age

Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage.

• Occupation

The occupation of a person has significant impact on his buying behavior. For example a marketing manager of an organization will try to purchase business suits, whereas a low level worker in the same organization will purchase rugged work clothes.

• Economic Situation

Consumer economic situation has great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

• Lifestyle

Lifestyle of customers is another import factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.

• Personality

Personality changes from person to person, time to time and place to place. Therefore it can greatly influence the buying behavior of customers. Actually, Personality is not what one wears; rather it is the totality of behavior of a man in different circumstances. It has different characteristics such as: dominance, aggressiveness, self-confidence etc which can be useful to determine the consumer behavior for particular product or service.

4. Psychological Factors

There are four important psychological factors affecting the consumer buying behavior. These are: perception, motivation, learning, beliefs and attitudes.

• Motivation

The level of motivation also affects the buying behavior of customers. Every person has different needs such as physiological needs, biological needs, social needs etc. The nature of the needs is that, some of them are most pressing while others are least pressing. Therefore a need becomes a motive when it is more pressing to direct the person to seek satisfaction.

• Perception

Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In case of selective attention, marketers try to attract the customer attention. Whereas, in case of selective distortion, customers try to interpret the information in a way that will support what the customers already believe. Similarly, in case of selective retention, marketers try to retain information that supports their beliefs.

• Beliefs and Attitudes

Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behavior therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard.

4.4 Types of consumer buying behavior

Types of consumer buying behavior are determined by:

Level of Involvement in purchase decision, importance and intensity of interest in a product in a particular situation

Buyers level of involvement determines the reasons for motivation to seek information about a certain products and brands but virtually ignores others

The four type of consumer buying behavior are:

Routine response/programmed behavior: buying low involvement frequently purchased low cost items; need very little search and decision effort; purchased almost automatically. Examples include soft drinks, and milk.

Limited decision making: buying product occasionally. Requires a moderate amount f time for information gathering. Examples include clothes to know product class but not the brand.

Extensive decision making/complex high involvement, unfamiliar, expensive and/or infrequently bought products. High degree of economic/performance/psychological risk. Examples include cars, homes, and education. It involves a lot of time seeking information and deciding

Impulse buying, no conscious planning. The purchase of the same product does not always elicit the same buying behavior. Product can shift from one category to the next.

Review questions

1. *Define the concept consumer behavior*
2. *Discuss four factors that affect the consumer behavior. Give local examples*
3. *Explain the steps in the buyer decision process. Use a local case to explain*
4. *Identify and explain four types of consumer buying behavior.*

Further Reading

i. Kotler, P., Gary A. (2008), Principles of Marketing .12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 5

ii. Kotler, P., Kevin L.Keller. (2006). Marketing Management. 12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 6

PART TWO: WEEK EIGHT – WEEK THIRTEEN

CHAPTER FIVE

5.0 MARKETING STRATEGY

Learning objectives:

By the end of this chapter the learner should be able to:

a) *Explain the concept marketing strategy*
b) *Differentiate between undifferentiated and differentiated marketing strategy*
c) *Define the term segmentation*
d) *Explain market segmentation strategy; target marketing strategy; positioning strategy*
e) *Discuss the major bases of market segmentation*
f) *Identify and explain the criteria used to determine the viability of segment market*
g) *Explain the link among segmentation, target marketing and positioning*
h) *Explain niche marketing strategy*
i) *Understand the generic marking strategy model*

Marketing strategy is a plan which determines the firm's marketing goals; marketing strategy explains how the goals will be achieved within a stated framework. It also determines the choice of target market segment, positioning, marketing mix and allocation of resources. A clear understanding of marketing management philosophies of choice, the marketing environment, Consumer behavior and extent of the use of the marketing information systems affects the nature and quality of marketing strategy.

Marketing strategy can be undifferentiated marketing strategy, or a differentiated marketing strategy.

Undifferentiated marketing strategy refers to the process of not dividing the market of consumers into groups based on one or more shared internal or external characteristics. An undifferentiated targeting strategy is used when a firm decides to communicate the benefits of its product by sending the same promotional message to everyone. For an undifferentiated strategy to be successful, the product must be readily available and affordable and must provide the same benefits to all consumers. The differentiated marketing strategy refers to the process of dividing the market of consumers into groups based one or more shared internal or external characteristics. The differentiated marketing is a market segmentation strategy.

5.1 Market segmentation

The division of a market into different homogeneous groups of consumers is known as market segmentation. Market segmentation is an adaptive strategy. The application of market segmentation serves the purpose of developing competitive scope, which can have an effect on competitive advantage.

A viability of market segment is based on these criteria:

1. The segment is measurable
2. The segment is accessible or reachable by communication and distribution channels
3. The segment is stable or durable, not changing quickly
4. The segment is substantial in size to be profitable

5. The segment is unique or differentiable needs to serve

Market segmentation can be divided into consumer market segmentation and business market segmentation. Business Market Segmentation is when segmentation is applied to businesses and organizations on the bases of the following:

Geography: the regional variables such as regional economic growth, and customer concentration, for example, in Nairobi or in Mombasa

Customer type: for example, the size of the organization, and the industry

Buyer behavior: for example, usage patterns, and order size

5.2 Bases of consumer market segmentation

There are four primary bases to segment the consumer market:

1. Geographic segmentation
2. Demographic segmentation
3. Psychographic segmentation
4. Behavioral segmentation

1. Geographic segmentation

In geographical segmentation, market is divided into different geographical units like:

Regions (by country, nation, state, neighborhood)
Population density (urban, suburban, rural)
City size (size of area, population size and growth
rate) Climate (regions having similar climate pattern)

A firm, either serving a few or all geographic segments, needs to put attention on variability of geographic needs and wants. After segmenting consumer market on geographic bases, companies localize their marketing efforts (product, advertising, promotion and sales efforts).

2. Demographic segmentation

In demographic segmentation, market is divided into small segments based on demographic variables like:

a) Age
b) Gender
c) Income
d) Occupation
e) Education
f) Social class
g) Generation
h) Family size
i) Family life cycle
j) Home ownership
k) Religion
l) Ethnic group/race
m) Nationality

Demographic factors are most important factors for segmenting the customers groups. Consumer needs, wants, usage rate these all depend upon demographic variables. So, considering demographic factors, while defining marketing strategy, is crucial.

3. Psychographic segmentation

In Psychographic Segmentation, segments are defined on the basis of social class, lifestyle and personality characteristics. Psychographic variables include:

Interests
Opinions
Personality
Self Image
Activities

Values

Attitudes

A segment having demographically grouped consumers may have different psychographic characteristics.

4. Behavioral segmentation

In this segmentation market is divided into segments based on consumer knowledge, attitude, use or response to product. Behavioral variables include:

Usage rate

Product benefits

Brand loyalty

Price consciousness

Occasions (like holidays)

User Status (first time, regular or irregular)

5.3 Target marketing and positioning strategy

As part of adaptive strategy, after segmentation, what can follow is target marketing and positioning . Figure 6 illustrates the interrelationship.

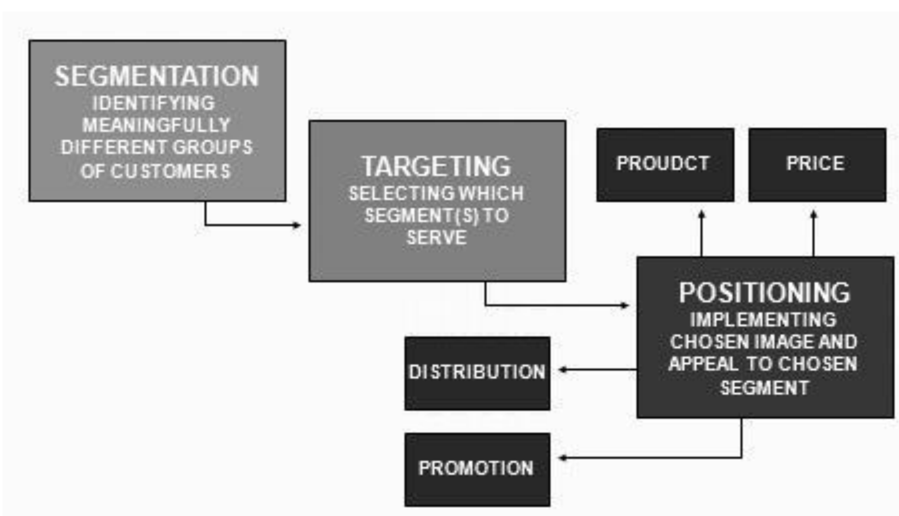

Figure 6. Relationship of segmentation, targeting and positioning strategies

Segmentation, targeting and positioning strategies are differentiated strategy.

Target marketing

Target marketing is defined as the identification of the market segments that are identified as being the most likely buyers of a firm's product.

The advantages of target marketing include:

1. Marketing opportunities and unfilled 'gaps' in a market may be more accurately appraised and identified. Such gaps can be real or they can be illusionary in terms of the way people want to view the product
2. Market and product appeals through manipulation of the marketing mix can be more delicately tuned to the needs of the potential customer
3. Marketing effort can be concentrated on the market segment which offer the greatest potential for the company to achieve its goals

Positioning strategy

Positioning refers to how the firm wants its consumers to see its product. And a positioning strategy results in the image the firm wants to draw in the mind of it customers, the picture it wants the customers to visualize of the firm's offer, in relation to the market situation, and any competition that the firm may have.

There are different positioning themes:
Attribute positioning: The message highlights one or two of the attributes of the product
Benefit positioning: The message highlights one or two of the benefits to the customer
Use/application positioning: Claim the product as best for some application
User positioning: Claim the product as best for a group of users
Competitor positioning: Claim that the product is better than a competitor

Product category positioning: Claim as the best in a product category

Quality/Price positioning: Claim best value for price

5.4 Niche market strategy and Generic Marketing strategy

Niche market strategy

A niche market strategy is a strategy that focuses on addressing a need for a product that is not being addressed by mainstream providers. It is a strategy that targets a small but profitable portion of a market. The strategy targets buyers who are interested in the type of product being offered. A niche product, by its mere nature, might be not the one that has a broad-based appeal. With this in mind, a marketing niche strategy needs to seek out interested parties where they might be.

Generic marketing strategy

Within the context of market segmentation, there is another marketing strategy called Generic marketing strategy. The Generic marketing strategy aims at giving competitive advantages to the firms. The most common generic marketing strategy is the one based on the model developed by Porter. According to this model, there is segmentation strategy, differentiation strategy and cost leadership strategy that gives firms competitive advantages. Figure 7 presents the model:

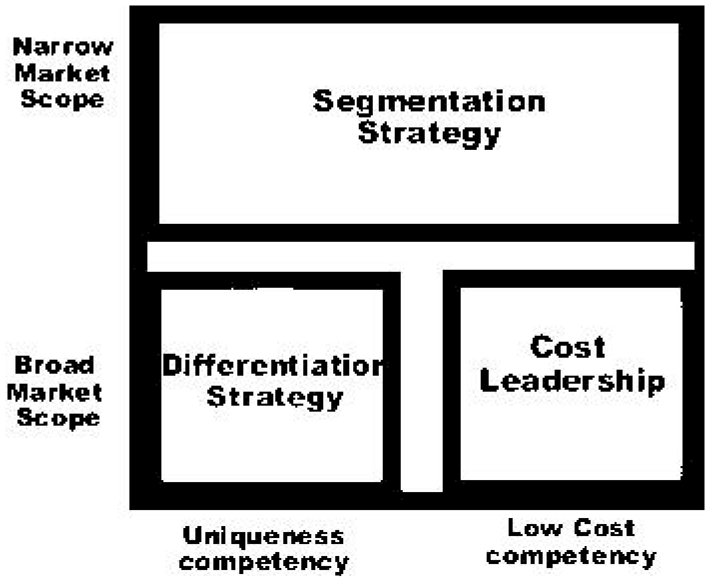

Figure 7. Porter’s Generic strategy

Review questions

i. *What do you understand by the concept market segmentation?*
ii. *Give reasons why market segmentation is important*
iii. *Distinguish undifferentiated marketing strategy and differentiated marketing strategy*
iv. *Clearly show the relationships among these three: segmentation, target marketing and positioning strategy*
v. *Explain a niche marketing strategy*
vi. *Discuss demographic, geographic, psychographic and behavioral segmentation*
vii. *How do you determine the viability of serving a market segment?*

Further Reading

i. Kotler, P., Gary A. (2008), Principles of Marketing .12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 7
ii. Kotler, P., Kevin L.Keller. (2006). Marketing Management. 12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 8

CHAPTER SIX

6.0 MARKETING MIX

Learning objectives:

By the end of this chapter the learner should be able to:

a) *Define the concept marking mix*
b) *Explain the concept product, price, promotion, place , services and services marketing*
c) *Understand clearly product classification*
d) *Explain the three levels of product*
e) *Differentiate product mix and product line*
f) *Discuss the steps of new product development and a product life cycle*
g) *Explain briefly the new product/innovation adoption model*
h) *Explain the phases in the consumer new product adoption process*
i) *Understand the skimming and penetration pricing strategy*
j) *Understand approach to pricing strategy*
k) *Explain the benefits of brand and the strategy of developing a brand*
l) *Understand sales force structure and selling process*
m) *Explain promotion mix*
n) *Discuss the types of distribution channels and the benefits of distribution channels*

The term marketing mix refers to the tactical elements of the marketing strategy. It is the blending of product, price, promotion and place.

6.1 Product

Product refers to anything that can be offered to a market for attention, use, or consumption that might satisfy a want or need. It includes any tangible item, services, ideas, concepts, or a person.

Product classification

Tangible and intangible

A product can classified as tangible and intangible. Tangible product is a physical product, such as mobile handset, cars and the TV set. Intangible product is a product that cannot be touched or felt such software, ideas, and services.

Consumer goods and industrial goods product

Industrial goods are consumed as raw materials or inputs by businesses to produce other products, for example, wheat to produce flour. Consumer products are consumed by final consumers for their own interests (individuals and households), and not for commercial purposes like in the industrial goods product case. Consumer goods generally can be classified into four types, namely consumer goods, commercial goods, specialty goods, and goods Unsought. This classification is based on buying habits of consumers, as evidenced by the following three aspects (effort) of consumers to reach a purchase decision, the attributes that consumers use in a purchase, and the frequency of purchase.

Convenience Goods

Convenience products are goods that have generally high frequency of purchase (often purchased), take the time soon, and require only minimal effort (very small) in comparison and purchase. Examples include cigarettes, soap, toothpaste, batteries, candy, letters and news. Convenience products themselves can be further grouped into three categories, namely, staples, impulse goods and goods emergencies.

Shopping Goods

Purchases of goods are goods that in the process of selection and purchase by consumers in different alternatives that are available. Comparison criteria include price, quality, and model of each item. Examples are household equipment, clothing and furniture.

Specialty Goods

Specialist shops are goods which have characteristics and / or identification of a single brand in which a group of consumers willing to make a special effort to buy it.

General types of specialized products branded luxury products and a specific model, such as Lamborghini cars, the clothes designed by famous designers

Unsought Goods

Unsouqht goods are goods that are not known to consumers or are already known, but are not generally thought of buying it.

Product mix and product lines

A product mix (or product assortment) refers to all the product lines and items that a particular firm offers for sale. Say, a manufacturing firm may have a capacity to produce, kitchen appliances, cars, and mobile handsets. These are examples of a product mix. Product mix consists of a number of product lines. That is various models of cars, mobile handsets and kitchen appliances produced by the firm. These various models , for examples, various models under car, mobile handsets and kitchen appliances are product lines. Product lines are group of products manufactured by a firm that are closely related in use and in production and marketing requirements. The depth of the product line refers to the number of different products offered in a product line.

The manufacture’s product mix has four important dimensions: width, length, depth, and consistency. Product mix width refers to the number of different product lines the company carries. Product mix length refers to the total number of items the company carries within its product lines. Product line depth refers to the number of versions offered of each product in the line. The consistency of the product mix refers to how closely relate the various product lines are in end use, production requirements, distribution channels, or some other way.

The three levels of a product: this is a total product concept where a product is understood as a bundle of physical, service, and symbolic attributes designed to satisfy a customer's wants and needs. For instance, if a product is a tangible product, this product still can be understood as a product with three levels. Let us say that product is a computer to be purchased for primary school teaching. This computer , as a product, has three levels which are a bundle of physical, service and symbolic attributes:

a) Level one: *Core product* is the benefit the product gives as a value such as convenience, speed and efficiency to the user. In this sense, the core product is intangible.
b) Level two : *Actual product* is the physical product that comes as branding, colour, quality, style and fashion
c) Level three: *Augmented product* is the non-physical part of a product which includes installation, delivery, warranties, customer care and finance.

New product development

New product development is a strategy for a firm growth by offering modified or new product to a market segment. The process of new product development has various steps:

1. Idea generation looking for all possible ideas that may help to develop a new
2. Idea screening is the step of eliminating unsound ideas prior to devoting resources to them
3. Concept development and testing , the step of developing the marketing and engineering details
4. Business analysis is the step estimating likely selling price, sales volume, break-even point and profitability
5. Product development
6. Market testing is the step of producing a physical prototype , making adjustment where necessary and determining customer acceptance
7. Commercialization is the step of launching the product for market

Once the new product is launched for the market, the remaining main task is the adoption of this new product, which is an innovation, by customers. This will take us to the next topic.

New product adoption process

In adopting process of the new product, customers differ according to the timing of their adoption of the innovation. One of the common models used is the diffusion model. The model groups the adopters of the new product as innovators, early adopters, early majority, late majority and laggards.

Innovators are understood as well-informed and risk-takers who are willing to try the new product. They represent the smallest percentage of the market.

Early adopters are those, based on the positive response of innovators, who begin to purchase the product. Early adopters tend to be educated and opinion leaders. They are more in numbers than the innovators.

Early majority are careful consumers who tend to avoid risk; they adopt the product once it has been proven by the early adopters. They rely on recommendations from others who have experience with the product.

Late majority are skeptical and acquire a product only after it has become commonplace.

Laggards avoid change and may not adopt a new product until traditional alternatives no longer are available.

The new product adoption process

The new product adoption process suggests the need for the firms to pay attention to help customers so as to go through the stages smoothly and adopt the new product.

The potential buyer of the new product, from first hearing the product to the final adoption it goes through the following five stages of the adoption process:

1. Awareness : getting information about the new product
2. Interest : seeking more information about the product
3. Evaluation : checking its benefits and cost

4. Trial :based on the evaluation to buy to estimate the value of using
5. Adoption : if the trial is favorable to adopt the new product to use regularly

Product Life Cycle

With the change in marketing environment, intense competition, customer's preferences and tastes, product life also changes. Product also passes through four product phases:

1. Introduction
2. Growth
3. Maturity
4. Decline

Introduction: in this stage product is relatively undifferentiated; sales are low; price generally high; distribution is selective; increasing brand awareness is the aim of promotion; almost no profit and competitor on site. The strategy is to establish market.

Growth: in this stage there may be increase in sales growth; profit begins to rise; there is differentiation in form of new product features; distribution becomes intense; there is improvement in quality of product; price can be maintained or reduced; competitors become entering into the product production as to seize the opportunities. The strategy is market penetration.

Maturity: in this stage, there is product differentiation and modification; competition is intense; price reduction is likely; likely there are new distribution channels; there is emphasis on building brand loyalty; profit goes down ; market saturation is reached; the strategy is differentiation , diversification and to maintain market share and extend the product life.

Decline: in this stage, the approach is to reduce cost and to harvest it; profits diminish; the option may include to discontinue the product or to find new use for it.

Branding

Branding is the entire process involved in creating a unique brand for a product.

Brand is the identity of a product; it is a product's personality. A name, sign, term, design, slogan, symbol or a combination these are forms of a brand. Through brand, a firm intends to identify its goods and services and differentiate itself and its product from those of other sellers. Brand connects target segment emotionally; it delivers the message clearly; it also confirms credibility; it motivates the buyer; it consolidates user loyalty.

Let us define these two concepts: brand equity and brand evaluation. Brand equity is the positive differential effect that knowing the brand name has on customer response to the product. A measure of a brand's equity is the extent to which customers are willing to pay more for the brand. Brand evaluation is the process of estimating the total financial value of a brand.

Major brand strategies

To build strong brand, here are major brand strategy decisions:

1. Brand positioning: focusing on attributes, benefits, beliefs, and values
2. Brand name selection: selection of the name; protection of the name
3. Brand sponsorship: it can be manufacture's , private, licensing or co-branding

Service marketing

Service is defined as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Service marketing is influenced by the service characteristics which are listed below:

1. Intangibility , for example , the service of car repairers; doctors consulting
2. Variability : depending on various factors, the service quality car repairer varies
3. Inseparability: for example, the service of a haircut and a barber
4. Perishability: example, a service of a seat booked to fly to Mombasa tomorrow on local airlines, if not used will perish

Unlike the tangible product, service marketing also has a unique marketing mix. The service mix includes: the common 4Ps (product, price, promotion and place) and people, process, physical presence, and productivity.

6.2 Price

Price is the sum of the values that consumers exchange for the benefits of having or using the product or services.

Types of cost

Let us first look at the types of cost. Types of costs are fixed costs the type of costs which occur at the establishment of the organization and relatively not replenished routinely. The fixed costs are not affected with the production or sales level. Variable costs that type of costs which occur with each extra unit produce or sale. Variable costs are directly related with the level of production. Total costs are the sum of the fixed and variable costs.

Factors affecting pricing decision

These are the factors that affect pricing decision: Internal factors of the firm such as marketing objectives; marketing mix strategy; cost ; organizational consideration ; external factors such as the market ; demand; competition, and environment.

General pricing approaches

This can be cost -based price, cost-plus pricing, adding a standard markup to the cost of the product and breakeven pricing. The other approach is value -based pricing: setting price based n buyers perceptions of value rather than on the seller's cost. There is also another approach: competition-based pricing. This is setting prices based on the prices that competitors charge for similar products.

New Product Pricing Strategies

This are market skimming pricing and market penetration pricing .Market skimming pricing is setting a high price for a new product to skim maximum revenues from the segments willing to pay the high price. Market penetration pricing is setting a low price for a new product in order to attract a large number of buyers and a large market share.

Product Mix Pricing Strategies

This includes product line pricing, optional product pricing, captive product pricing, and product bundle pricing.

Price Adjustment Strategies

Discount and allowance pricing which includes cash discount for those customers who pay their bills punctually or in advance; quantity discount for those customers who purchases in bulk Quantity; functional discount for the member of the trade channel who performs certain function for seller, such as selling, storing, and record keeping; seasonal discount for those buyers, who purchase merchandise or services out of season; allowance , the promotional money paid by the manufacturers to the retailers against a performance or as per agreement.

Segmented pricing is selling a product or service at two or more prices, where the difference in prices is based on the differences in the environment of the segment.

Another adjustment strategy is psychological pricing; price is based on the perceptions of the consumer for the product.

Reference price is price that buyers carry in their minds and refer to when they look at a given Product

Promotional pricing is temporarily pricing products below the list price, and sometimes even below cost, to increase short-run sales.

Geographical Pricing is in which goods are placed free on board a carrier and the customer pays the actual freight from the factory to the destination. Uniform-delivered pricing is a geographical pricing strategy, in which the company charges the same price plus freight to all customers, regardless of their location. Zone zoning is a geographical pricing strategy, in which the firms divide their clients' location in different zones as per distance with the production house and fix charges for each zone. All customers within a zone pay the same price.

d. Basing point pricing is a geographical pricing strategy in which the seller designates some city as a basing point and charges all customers the freight cost from that city to the customer location, regardless of the city far from the production house. Freight-absorption pricing is also a geographical pricing strategy in which the company absorbs all or part of the actual freight charges in order to get the business.

6.3 Promotion

Promotion refers to communicating with the public in an attempt to influence them toward buying a product. Promotion is also coordination of individual methods of promotions such as advertising, personal selling and sales promotion.

Promotion Mix

Promotion mix consists of these elements:

1. Advertising
2. Personal selling
3. Sales promotion
4. Public relations

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Advertisement is important for standardized products; products aimed at large markets; products that have easily communicated features; products low in price; and products sold through independent channel members and/or are new products.

Use of advertising is for promoting products or organizations; stimulating primary and selective demand; offsetting competitor advertising; making salespersons more effective; increasing use of product; reminding and reinforcing customers; and, reducing sales fluctuations.

Personal selling refers to personal presentation by the firm's sales force for the purpose of making sales and building customer relationship.

Types of Advertising Agencies

The objective of advertising is to create awareness within a specific target audience during a specific period of time. Types of the advertising agencies that carry out the objectives of advertising are creative Agency; Media Buying Houses; Public Relation s; Off Line Advertising Agency and Production Houses

Personal selling

Personal selling is a persuasive communication between a representative of a firm and one or more potential buyer for a sale. It is a face to face communication with an aim to sell a product.

The advantages of personal selling are freedom to adjust a message to satisfy customers informational needs, dynamic; precision, enabling marketers to focus on most promising leads;

give more information; two way flow of information, interactivity; Discover the strengths and weaknesses of new products and pass this information on to the marketing department. Its inus is high cost.

Forms of personal selling (types of sales persons): These are the types of sales persons: order taker seeks to have repeat sales; order getter identifies potential customers who will buy a product;

The sales management process

1. Sales plan formulation – setting the objectives; organizing sales force
2. Sales plan implementation – sales force recruitment, selection, training , motivation and compensation
3. Evaluation and control of the sales force , including quantitative and behavioral assessment

Sales plan formulation

1. Setting objectives – this is specifying what to achieve
2. Organizing the sales force – taking into consideration various organizing structure : geographical structure, customer structure, product structure,

Steps in personal selling process

Prospecting and qualifying: this identify potential customers and screening them

1. Pre-approach : learning about a customer before making a call
2. Approach : knowing how to meet the buyer
3. Presentation : showing the product benefits
4. Handling objections: overcoming buyer objections
5. Closing : ask the buyer for order
6. Follow-up : ensuring customer satisfaction and repeat business

Types of sales force structure

1. Territorial : in this case the sales force can have exclusive territory to sell the product line of the firm
2. Product : the sales force is structured along the product lines
3. Customer : the sales force is structured along the customers' type
4. Complex : it can combine territory, product and customer

Sales promotion is defined as the short-term incentives, to encourage the purchase or sale of a product or service.

Public Relations is building good relations with the firm's various publics and corporate clients by publicity and interacting in favorable moods and media, as well as handling unfavorable rumors, stories and events are also the part of public relations.

To achieve its objectives, public relations make use of methods that include the press conference, press release, event sponsorships, publicity event, letter to editor, media tours, articles

Steps to develop public relations strategy, to

1. Define objectives for publicity and media plan
2. Define the specific, measurable, actionable, realistic and time-bound objectives
3. Determine the target audience
4. Develop a schedule for public relations campaign
5. Develop plan of "attack"
6. Put to measure to track the results of the campaign

Direct marketing can also be understood as part of promotion mix. Direct marketing is communications with targeted individual consumer to obtain an immediate response and development of long-term relationship. Direct marketing involves direct communications with targeted individual consumers to achieve an immediate response and develop long lasting customer relationships. Direct marketing can be done through E-mail, Direct mail, Telephone, Catalogues, and Fax. That is, forms of Direct marketing includes face to face marketing;

telemarketing; direct mail marketing; Catalog marketing; direct response television marketing and kiosk marketing.

Developing effective communication

To facilitate the objectives of the promotion, effective communication needs to be developed.

To develop effective communication,

Identify the target audience

Define objective

Design a message

Determine message contents

Determine message structure

Choose Media

Decide on personal communication channel

Decide on non-personal communication channel

Select the message source.

Sales Promotion

Sales promotion is the short-term incentives to encourage the purchase or sale of a product or service for a limited time period. The main objective of sales promotion is to build relationship between consumer and the brand as well as creating short term sales or temporary brand witching.

To carry out the objectives of sales promotion, the salesperson is a representative of a firm, who performs one or more works in terms of vision, communicating, servicing, and information gathering.

Sales promotion tools

The salesperson has various sales promotion tools such as consumer promotion tools ; sample - small amount of a product offers free to the consumer for trial; coupon; cash refund offer; price pack; premium; advertising specialties – items printed with an advertiser’s name, given as a gift to consumers; patronage reward; point of purchase display of products; contests and games.

Promotion Mix Strategies

There are push strategy and pull strategy

Push strategy is a promotion strategy in which the seller pushes the product through distribution channels to final consumer.

Pull strategy is in which the seller directly hit the final consumer to induce them to buy the product. Consumer will demand the product from channel members, if the pull strategy effect successfully.

Public Relations

Public relations is building good relations with the company's various publics and corporate clients by publicity and interacting in favorable moods and media, as well as handling unfavorable rumors, stories and events . The tools of public relations use: press release; product publicity; public affairs; lobbying and investors.

Place **(Distribution channels)**

Place , which is also known as the distribution channels, is a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user. The distribution channels can be

Direct channel (from producer to a consumer)

Indirect channel (from producer through intermediaries to a consumer)

Through distribution producer's (manufacture's) product can pass to a wholesaler, then to a retailer before finally reaching a consumer. Or it may go first to a retailer finally to reach a consumer. In these cases, there are intermediaries between the producer and the finally consumer. But the producer can sell directly to the final consumer. In this case, there is no an intermediary. The intermediaries may be short or long. It is long, for instance, when the product passes through an agent, a wholesaler, retailer, and short when it only passes through a retailer to reach a consumer. Intermediaries, such as retailers and wholesalers, tend to add efficiency because they can do specialized tasks better than the consumer or the manufacturer. Intermediaries add efficiency by

1. Breaking bulk – the final consumer buys only the small quantity; quantities are gradually broken down to reach a consumer

2. Intermediaries move goods efficiently
3. Consolidation and distribution – the final consumer can access a product easily as in the supermarket
4. Carrying inventory less costly to the holding of inventory
5. Financing – wholesaler and retailer may negotiate for lower prices

Determining on need and the nature of distribution channel involves making decisions on location of the consumer, cost of distribution, type of product and the strategy of distribution.

Review question

i. *Clearly differentiate the following: (1) consumer goods and industrial goods; (2) goods (tangible product) and services; (3) core benefits and augmented product; (4) product mix and product line.*
ii. *Explain the three levels of product*
iii. *Discuss the Product Life Cycle and its implications for marketing strategy*
iv. *Briefly explain the steps in buyer decision process for the new product*
v. *Explain two pricing strategy for a new product*
vi. *Discuss briefly major approaches to pricing strategy*
vii. *Explain the promotion mix: Advertising, Public Relations , and sales promotion*
viii. *What is personal selling?*
ix. *Explain the steps involved in personal selling*
x. *Differentiate the direct distribution channel and the indirect distribution channels. Give examples*

Further Reading

i. Kotler, P., Gary A. (2008), Principles of Marketing .12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 8 to Chapter 11 and then Chapter 14 to Chapter 17
ii. Kotler, P., Kevin L.Keller. (2006). Marketing Management. 12th edition. Upper Saddle River, New Jersey: Pearson Education, Inc., Chapter 8 to Chapter 14

SAMPLES PAPERS

Mount Kenya University

BBM124: Principles of Marketing

Exam Year 2010

Exam duration: 2 Hours

Instruction: Answer Question 1 which compulsory and any other two questions.

Question 1

a) Identify and outline the macro environment of marketing. (10 marks)

b). Name the major segmentation variables for consumer markets. (10 marks)

c). Identify the marketing mix of services (10 marks)

Question 2

a) Write short notes on the following marketing concepts :

i. Wants and demands (3 marks)

ii. Customer value and customer relationship (3 marks)

iii. Product and market (3 marks)

b) Describe the following terms as used in marketing:

i. Segmentation (3 marks)

ii. Product positioning (3 marks)

iii. Target market (5 marks)

Question 3

a) Name and explain the practice of the main marketing philosophies (15 marks)

b) List four possible ingredients for a business enterprise’s promotion mix (5 marks)

Question 4

a) Name at least three marketing strategies you are acquainted with. (10 marks)

b) List five product mix pricing strategies (10 marks)

Question 5

a) Describe the concept *marketing intelligence* (2 marks)

b) Name three inputs of the marketing information system (6 marks)

c) Mention, at least, three benefits of the marketing information system (9 marks)

d) Give three reasons why you think marketing information system is different from marketing research. (3 marks)

Mount Kenya University

BBM 124: Principles of Marketing

Exam Year 2010

Exam Duration : 2 Hours

Instruction: Answer Question 1 and any other three questions.

Question 1

a) Define the term personal selling (2 marks)

b) List the elements of the personal selling steps (14 marks)

c) Clearly identify what involved in the consumer buying decision process. (10 marks)

d) Name four major factors that affect consumer behavior (4 marks)

Question 2

a) Identify four typical marketing channels for consumer products (12 marks)

b) List the elements of the marketing mix of services (8 marks)

Question 3

a) Identify the main elements that constitute the framework for the marketing information system for an organization. (9 marks) b) Explain marketing research (11 marks)

Question 4

a) Name the actors and forces of macro- environment that affect marketing. (12 marks)

b) Write at least four factors that you consider for effective segmentation (8 marks)

Question 5

Outline the communication mix of marketing (20 marks)