BASIC PRINCIPLES OF MARKETING

WHAT IS MARKET ?

- **A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.**

WHAT IS MARKETING

- "Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably."
- Consumer Marketing is marketing activity targeted at the individual or the family.
- Industrial Marketing is the term used to describe business-to-business or firm-to-firm marketing.

Chapter 2
Marketing Concepts

1. Exchange Concept
   - Exchange is only a small part of the total marketing process.
   - Other parts of marketing like customer orientation, satisfaction, value creation, creative selling etc are not covered

Chapter 2
Marketing Concepts

Features of Marketing Concept

1. Consumer Orientation
2. Integrated management action
3. Consumer Satisfaction
4. Realizing organizational goals including profits

STATE OF DEMAND AND MARKETING TASK

- **State of demand**
- Negative Demand
- No Demand
- Latent Demand
- Falling Demand
- Irregular Demand
- Full Demand
- Overfull Demand
- Un-wholesome Demand

- **Marketing task**
- Conversional Mktg.
- Stimulational Mktg.
- Developmental Mktg.
- Remarketing
- Synchro-marketing
- Maintenance Mktg.
- Demarketing
- Counter-marketing

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

1. Conversional Marketing
   - Used during negative demand
   - Customer dislikes the product
   - May even pay to avoid the product
   - It is a rare condition
   - e.g. Waste Water

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

2. Stimulational Marketing
   - Used during No demand
   - Customer is indifferent to the product
   - Task of converting no-demand into positive demand
   - Connect the product with existing need
   - Create environment where need is felt
   - e.g. Mushrooms

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

3. Developmental Marketing
   - Used during Latent demand
   - Consumers share need for something which does not exist
   - Opportunity for Marketer to develop a product
   - e.g. Electronic cigarette

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

4. Remarketing
   - Used during fading demand
   - Consumers find either no use for the product or better alternatives in the market
   - Marketers recreate the demand
   - e.g. Cinema halls

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

5. Synchro Marketing
   - Used during irregular demand
   - Seasonal products
   - Results in wasteful underutilization of production capacity
   - Marketers attempt to streamline the demand to meet supply capacity
   - e.g. Hotels at hill stations, flight tickets during peak season

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

6. Maintenance Marketing

- Used during robust demand
- Established products
- Does not need efforts to push supplies
- Keep a watch on competition
- Keep sharpening the saw

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

7. Demarketing
   - Used during overfull demand
   - Or when you want to exit certain business
   - Supply falls short of demand
   - Marketers discourage customers in choosing certain products

Chapter 3
Marketing Management Tasks

Marketing Management Tasks

8. Counter Marketing
   - Used when demand is considered unwholesome
   - Like alcohol, drugs
   - Marketers try to destroy demand

SELLING AND MARKETING CONCEPT CONTRASTED

Starting point	Focus	Means	Ends
Factory	Products	Selling and Promoting	Profit through Sales Volume
Selling Concept			
Target Market	Customer Needs	Coordinated Marketing	Profit through Customer Satisfaction
Marketing Concept			

THREE BASIC PRINCIPLES OF MARKETING

(1) . <u>The Customer Value and Value Equation</u> :

$V=B/P$ Where; V=Value

B= Perceived Benefits

P= Price

(Value is increased by increasing the numerator and/or reducing the denominator)

MARKETING MIX

- Marketing Mix meaning it is the mix of all those tools that a firm or an organization pursues or decides to achieve the objectives of an organization like profit maximization, high valued goodwill in the market, etc.
- Marketing mix started coming onto the mouth of when Borden, firstly, published an article about the same describing its ingredients or elements, after the description of James Culleton.

- After that, Mc Carthy gave the diversification of these ingredients into 4 p’s and those are the product, price, place & promotion.
- **Philip Kotler** – “**Marketing Mix** is the combination of four elements, called the 4P’s (product, Price, Promotion, and Place), that every company has the option of adding, subtracting, or modifying to create the desired **marketing strategy**“

WHAT IS 7P'S OF MARKETING

- Product
- Price
- Promotion
- Place
- People
- Process
- Physical Evidence

STAGES IN THE APPLICATION OF MARKETING PRINCIPLES TO AIRLINE MANAGEMENT

- 1. The Customer: The cornerstone of successful marketing activity is that firms should obtain full knowledge of their current and potential customers. This knowledge needs to encompass information about market size, demographics, customer requirements and attitudes.

- 2. The Marketing Environment: The nature of sound marketing policies will clearly vary according to the constraints and opportunities provided by the external environment. In analyzing a firm's marketing environment it is usual to use the model known as PESTE analysis. This model categorizes the factors in the marketing environment under the five headings of Political, Economic, Social, Technological and Environmental.

- 3. Strategy Formulation: Clearly, it will not be possible to define marketing policies without the marketing input being a crucial one in the definition of a firm's overall strategic direction.
- 4. Product Design and Development
- 5. Pricing and Revenue Management

- 6. Distribution Channel: Selection and Control Once an overall strategy has been selected, the next three stages should follow on logically. Today’s aviation industry offers airlines many possible routes to success.
- 7. Selling, Advertising and Promotional Policies: A common mistake is to assume that the words “Marketing” and “Selling” are synonymous. They are not.

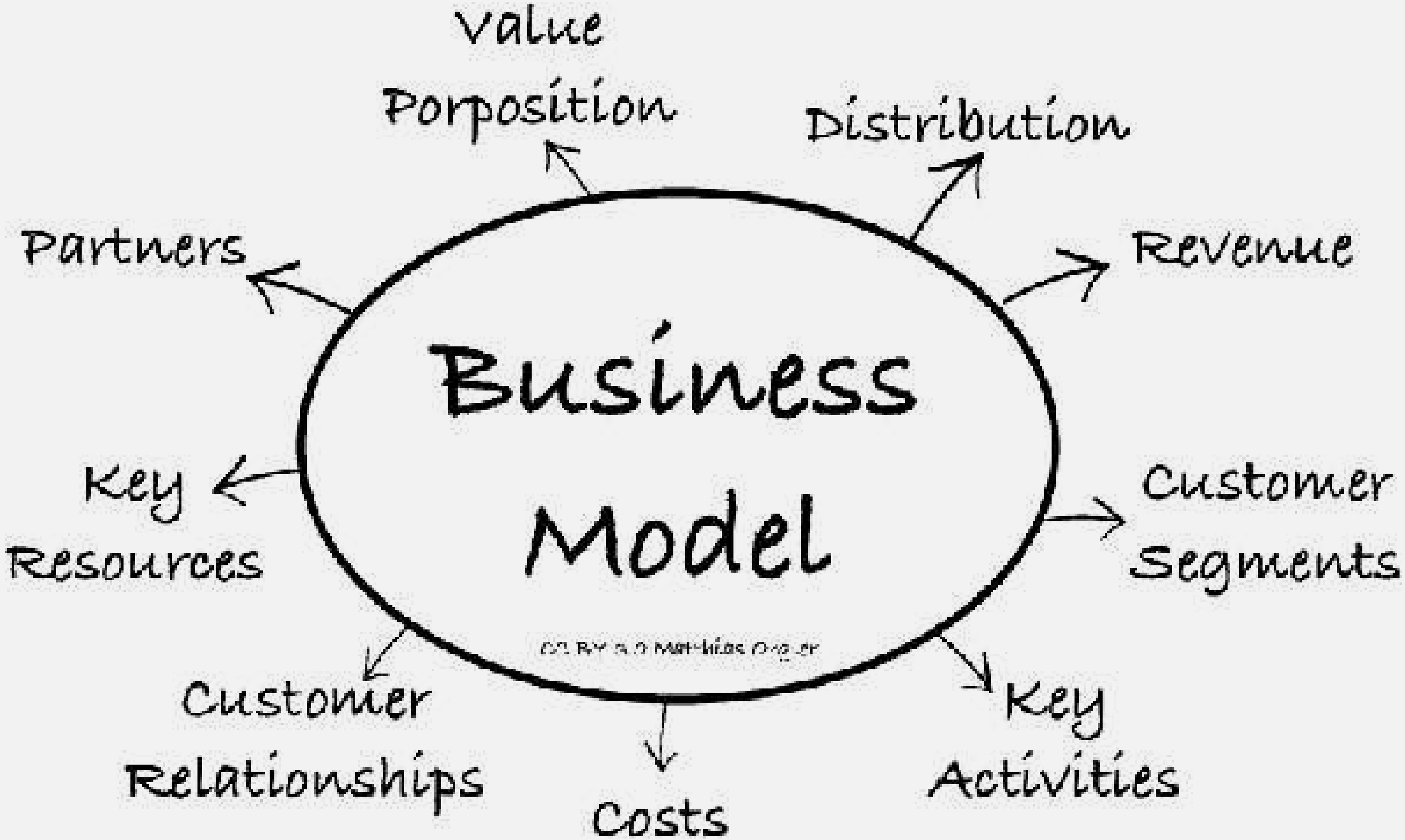
MARKET FOR AIR TRANSPORT SERVICES

- An airline which is to apply the principles of marketing successfully needs a thorough knowledge of current and potential markets for its services.
- WHAT BUSINESS ARE WE IN?
- To begin this work, any airline first has to answer the question as to which market or markets are to be studied.
- To do so, it must answer the fundamental question about the business or businesses in which it participates.

What is a Business?

A **business** is a legally recognized organization designed to provide goods or services, or both, to consumers, businesses and governmental entities.[1]

source: ***Wikipedia***


Value Porposition
Distribution
Partners
Revenue
Business Model
Key Resources
Customer Segments
Customer Relationships
Costs
Key Activities

MARKETING MYOPIA-BY THEODORE LEVITT

- Sustained growth depends on how broadly you define your business—and how carefully you gauge your customers' need
- "What business are you really in?" and with it the claim that, had railroad executives seen themselves as being in the transportation business rather than the railroad business, they would have continued to grow.

- It is not surprising that, having created a successful company by making a superior product, management continues to be oriented toward the product rather than the people who consume it.
- In short, the organization must learn to think of itself not as producing goods or services but as buying customers, as doing the things that will make people want to do business with it.

WHO IS THE "CUSTOMER"?

- The task of addressing one of the most fundamental and commonest mistakes made in airline marketing – failure to make a proper distinction between the "Consumer" and the "Customer"
- "Consumers" are those people who actually travel.
- Unfortunately, they may not be decision-makers about the things that matter. In Marketing, such decision-makers are defined as "Customers"

THERE ARE AT LEAST FOUR CUSTOMER DECISIONS WHICH MUST BE ANALYZED:

- Will a trip be made at all?
- For many firms today, the cost of travel is a major item of corporate expense.
- What mode of transport will be selected? As was mentioned in the last section, it is likely that the future will see a significant increase in the amount of competition that airlines face from surface transport operators, especially railways.

- For air trips, what class of service will be purchased?
- With many airlines, passengers have a choice of flying First Class (at least on long-haul routes), Business Class and Economy or Coach Class.
- Which airline will be selected?
- If it has been agreed that a particular journey will be made by air, the question of the choice of airline is clearly a crucial one. In the past, many business travelers did have the choice to make this decision themselves.

“APPARENT” AND “TRUE” NEEDS

- This difference between the claim and the truth is known in Marketing as the difference between “Apparent” and “True” needs.
- To illustrate the point, a corporate business traveler asked to describe the factors that they take into account in choosing their airline might give a series of respectable answers, all reflecting the service features that permitted them to use their time as effectively as possible in their employer’s interest.

- If they did, issues such as flight frequency (to allow for travel flexibility), punctuality and a roomy cabin (to permit working during flight) might figure prominently. The truth might be rather different. Today, many business travelers base their choice-of- airline decisions on their wish to support an airline on as many occasions as possible because this will maximize the personal benefits available to them (bought using their employer's money) through that airline's Frequent Flyer Program.

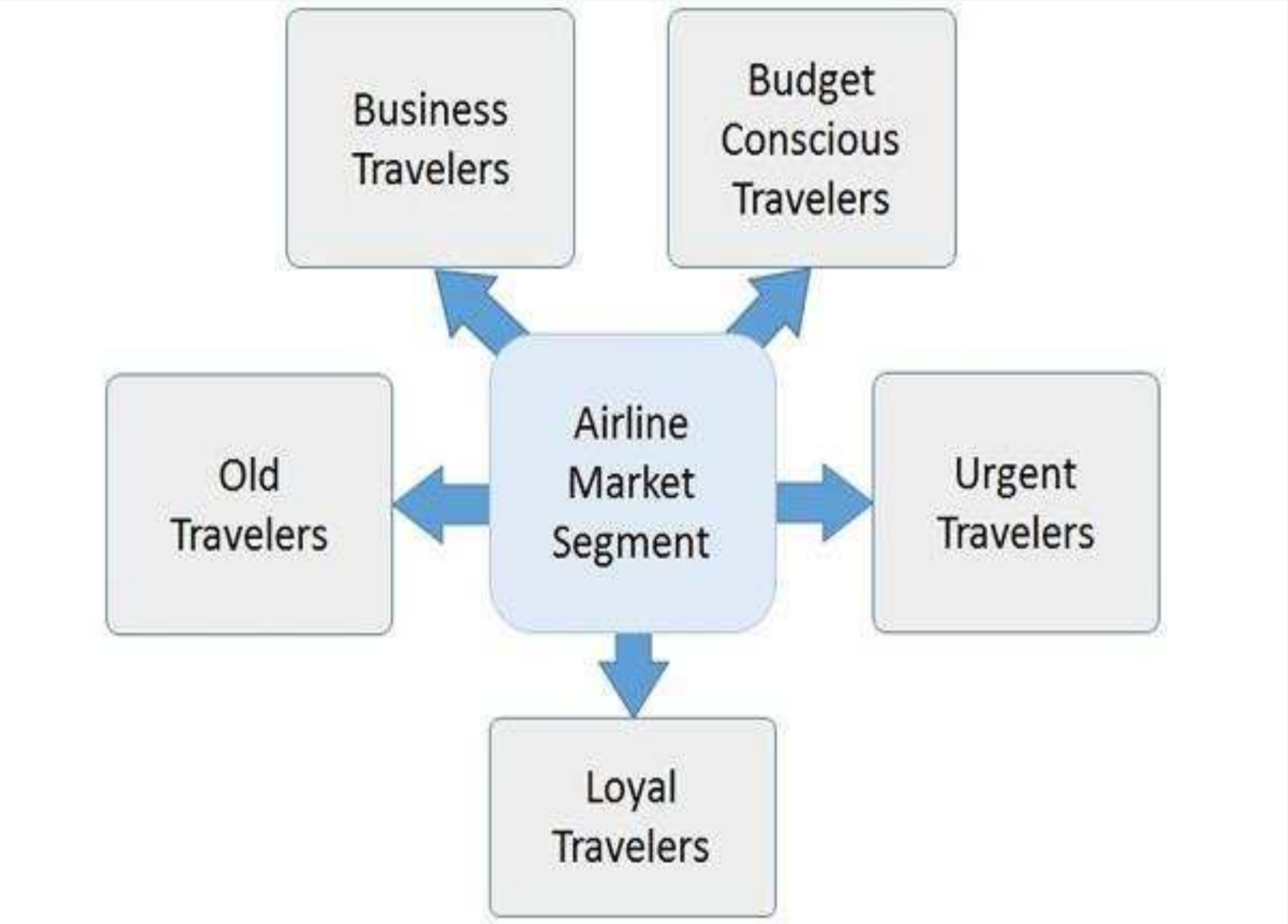
INDUSTRIAL BUYING BEHAVIOR

- Aa major difference between “Consumer” and “Industrial” Marketing concerns the question of the ways in which decisions are made.
- In Consumer Marketing it is usually possible with confidence to target the individual or the family.
- In contrast, in Industrial Marketing,
- purchasing decisions will often be made in a complex way with different corporate executives
- interacting in different ways through a so-called Decision-Making Unit.

- These categories are as follows:
- Deciders: These are the people who will make the final purchasing decision
- Gatekeepers "Gatekeepers" are defined as those who control the flow of information into the Decision-Making Unit. Gatekeeping may take on a number of forms.

AIRLINE CUSTOMER SEGMENTATION

- The airline customers are divided into the following segments −
- **Old Travelers** − They are aged customers probably retired and go on holidays frequently.
- **Business Travelers** − They are frequent flyers and form a large segment.
- **Budget Conscious Travelers** − They look for the most inexpensive airline without knowing much about the different airline services.
- **Loyal Travelers** − They travel frequently and as they travel frequently with the same airline, the airline offers some benefits to them and also the miles.
- **Urgent Travelers** − They share a small market segment and do not fly frequently. They fly only for unexpected causes.


Business Travelers
Budget Conscious Travelers
Old Travelers
Airline Market Segment
Urgent Travelers
Loyal Travelers

WHAT DO CUSTOMERS EXPECT BEFORE, DURING, AND AFTER THE FLIGHT?

- Few considerations the customer thinks of before selecting an airline service:
- **Timeliness in Service** − Delays at baggage counters and in flight departure create a lasting negative impact on the passengers.
- **Assurance of Reliable Service** − The airline staff committed to service and highest customer satisfaction. The quality of service is always up.
- **Convenience** − Easy check-ins systems and ticket reservations.
- **Attentiveness** − The airline staff that recognizes needs and works a step ahead to meet them constructively.
- **Comfort** − Adequate knee and leg room around seat.
- **Meals** − Free in-flight meals of satisfactory quality.
- **Safety and Security** − Emphasis on safety and security.

MARKET SEGMENTATION – AIR PASSENGER MARKET

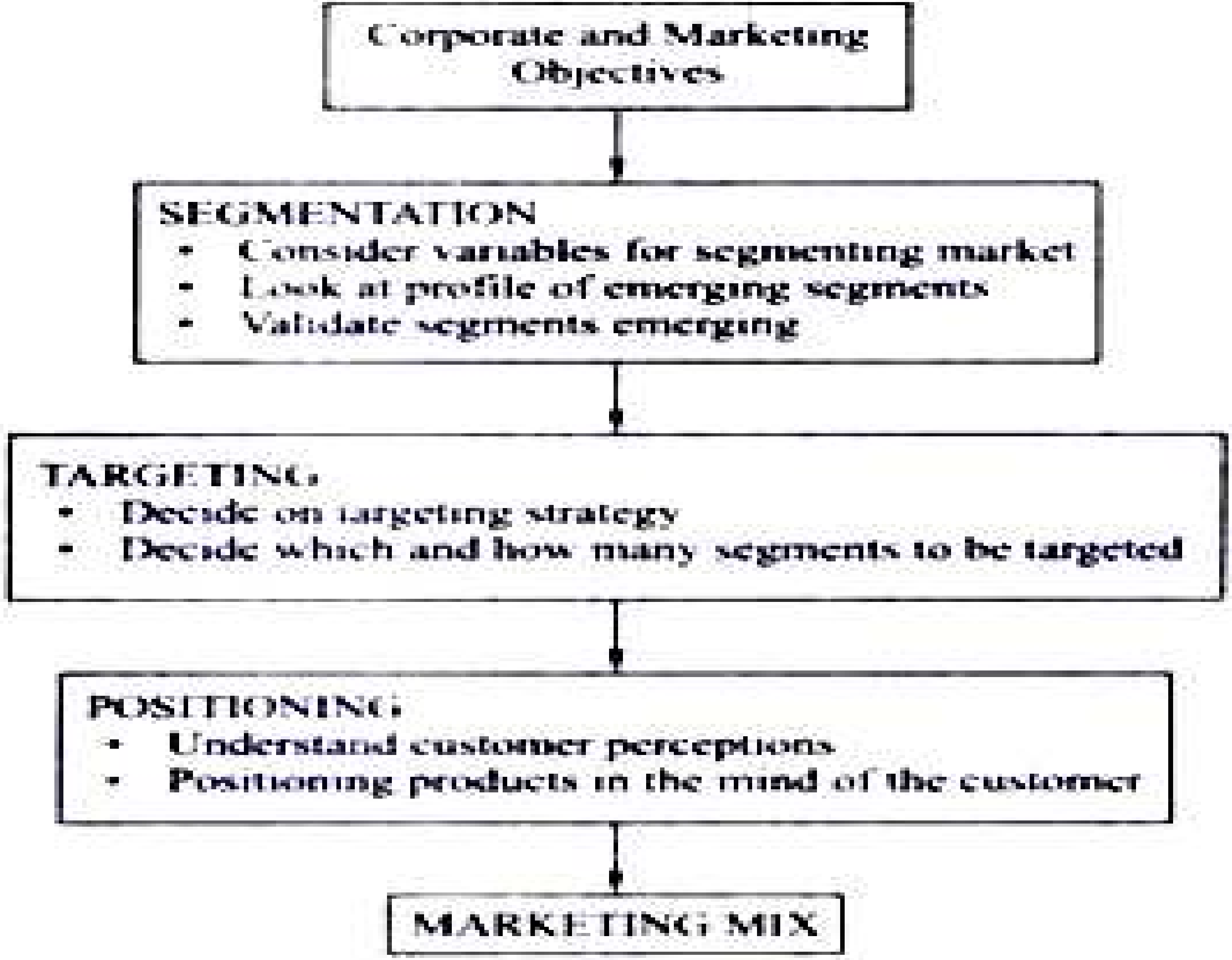
- “Market segmentation is the sub-dividing of market into homogeneous sub-sections of customers, where any sub-section may conceivably be selected as a market target to be reached with a distinct marketing mix.”- Philip Kotler

- “Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.”-Stanton

- Market segmentation is just the first step in a three-phase marketing strategy. After segmenting the market into homogeneous clusters, the marketer must select one or more segments to target. So the second step is target marketing, which is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.
- To accomplish this, the marketer must decide on a specific marketing mix-that is, a specific product, price, channel and promotional appeal for each distinct segment.
- The third step is market positioning, which involves arranging for a product to occupy a clear, distinctive and desirable place relative to competitive products, in the minds of target consumers.

- It is based on the simple observation that all the existing and potential consumers are not alike: there are significant differences in their needs, wants, tastes, background, income, education and experience etc. and these characteristics change over time with lifestyle changes.
- A market is composed of individuals and they are rarely homogeneous in benefits wanted, purchase rates, price and promotion elasticity. Their response rates of products and services and promotion programs differ. Since consumers have dissimilar needs and wants in a market, it is called a heterogeneous market and most markets are heterogeneous. Differences in product preferences, size and growth in demand, media habits and competitive structure of the market also affect the differences and response rates.

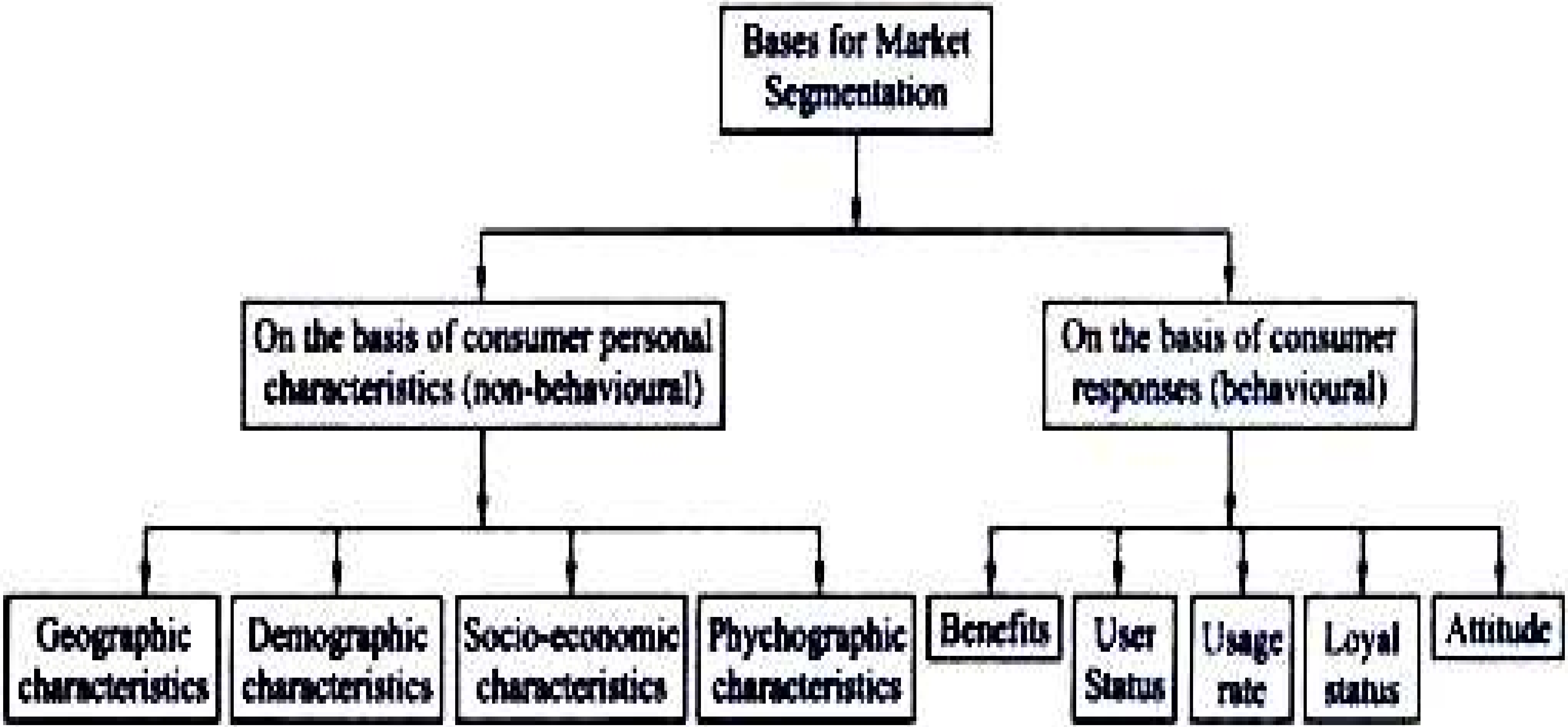
- Market segmentation is the process of dividing the total market into relatively distinct homogeneous sub-groups of consumers with similar needs or characteristics that lead them to respond in similar ways to a particular marketing program.
- Three-decision processes comprising market segmentation, target marketing and positioning are closely related and have strong inter-dependence and essentially need to be examined carefully and implemented to be successful in managing a given product-market relationship.


Corporate and Marketing Objectives
SEGMENTATION
• Consider variables for segmenting market
• Look at profile of emerging segments
• Validate segments emerging
TARGETING
• Decide on targeting strategy
• Decide which and how many segments to be targeted
POSITIONING
• Understand customer perceptions
• Positioning products in the mind of the customer
MARKETING MIX

CRITERIA FOR MARKET SEGMENTATION

1. Identity: The marketing manager must have some means of identifying members of the segment, that is, some basis for classifying an individual as being or not being a member of the segment.
2. Accessibility: It must be possible to reach the different segments in regard to both promotion and distribution.
3. Responsiveness: A clearly defined segment must react to changes in any of the elements of the marketing mix.
4. Size: The segment must be reasonably large enough to be a profitable target.
5. Nature of Demand:
It refers to the different quantities demanded by various segments.
6. Measurability:
The purpose of segmentation is to measure the changing behavior pattern of consumers.

BASES FOR CONSUMER MARKET SEGMENTATION



Geographic Segmentation: The whole market is divided into different geographical units. Generally, the market is divided into regions-northern, southern, western, eastern and so on.

Demographic Segmentation: In demographic segmentation, the market is subdivided into different parts on the basis of demographic variables-age, sex, family size, income, occupation, education, family life cycle, religion, nationality etc.

Psychographic Segmentation: Consumers are subdivided into different groups on the basis of personality, life style and values. These characteristic lead to psychographic segmentation. People exhibit different life-style and they express them through the products they use.

Socio Economic Characteristics: Income, occupation, education, religion and social classes are the important socio-economic data required for market segmentation.

Benefit Segmentation: Buyers can be classified according to the benefits they seek. Quality, Service, Economy etc

User Status: The users of a product or service can be classified as heavy users, medium users and light users- heavy buyers, medium buyers and light buyers.

Usage Rate: Markets can be segmented into various classes depending on usage rate. Light, Medium, Heavy,

Loyal Status: Consumers have varying degrees of loyalty to specific brands, stores and other entities. Hard-core-Loyals, Split or Soft Core Loyals, Shifting Loyals, Switchers etc.

Benefits from segmentation

1. Segmentation helps in focusing strategies more sharply on target groups.
2. It helps the company to know demand pattern of each segment thus increased the sale volume of the products.
3. It helps the marketer to understand the needs, behavior, habits, tastes and expectation of consumers of different segments. Thus marketing opportunities increases.
4. It is possible to satisfy a variety of customers with a limited product range by using different promotional activities.
5. Marketing can be more specialized when there is segmentation as the element of marketing mix.
6. Segmentation helps in adopting different policies, programs and strategies for different markets based on rival's policies, programs and strategies.
7. New customers are attracted because of segmentation strategy and thus opportunities are created for growth.
8. Customers are benefitted as the products that serve customers interest and satisfy their needs and wants.
9. Segmentation supports the development of niche strategies.
10. It helps to achieve a better competitive position for existing brands.
11. Identify gaps in the market which represent new product opportunities.

APPROACHES TO SEGMENTING A MARKET

SEGMENTATION VARIABLES – AIR FREIGHT MARKET

- 1. Emergency traffic
- 2. Marketing Emergency
- 3. Perishability

POSITIONING

Positioning in the market place

What is Positioning?

- It is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind.
- Positioning is not what you do to the product
- **Positioning is what you do to the mind of the prospect**
- Customer does the Positioning
- A product may have many distinctions. Which are most important to the customers?

What…

- Positioning is owning a piece of consumer's mind
- Positioning is not what you do to a product
  - It's what you do to the mind of the prospect
- You position the product in the prospect's mind
  - *'It's incorrect to call it Product Positioning' – Ries & Trout*

Examples

Colgate	is	Protection
Lux	is	Glamour
Pond's DFT	is	Confidence
Axe	is	Sexual Attraction
Gillette	is	Quality

Positioning in the market place

Examples

Crest toothpaste

- Promotes its anti-cavity protection

Mercedes

- Promotes its great engineering

BMW

- Ultimate driving machine

Attribute can be single or even multiples

Positioning in the market place

Positioning

- How do you differentiate your product from competitors
- Differentiation, which is
  - Important
  - Distinctive
  - Superior
  - Not easily copied or Unique.
  - Affordable
  - Profitable

‘You concentrate on the perceptions of the prospect, not the reality of the product’

- Al Ries & Jack Trout

The 3C's of positioning

- Be **C**rystal clear
- Be **C**onsumer-based
  - Be relevant and credible to the consumer
  - Write in consumer language and from consumer's view point
- Be **C**ompetitive
  - Be distinctive
  - Focus on building brand elements into powerful discriminator
  - Be persuasive
  - Be sustainable