7 Ps of Services Marketing – Framework Limitations

The 7 Ps of services marketing is indeed a popular framework used by marketing professionals to design the critical dimensions of the strategic blueprint while marketing a service. The services marketing mix is dominated by the **7 Ps of marketing** namely **Product, Price, Place, Promotion, People, Process** and **Physical evidence**.

In fact, the 7 P framework is one of the most popular framework for deciding a marketing strategy for services in domains like banking, information technology enabled services or hospitality and tourism, right from strategy formulation to actual implementation.

Services are very different from products. So the marketing concepts need to be revisited while marketing a service. Services can range from financial services provided by the banks, technology services provided bythe IT company, food and ambiance as a service provided by restaurants or even a blog where an author provides a service (information presentation, interesting reading etc) to his audience.

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The following form the marketing mix for services marketing, the first 4 P's being the core and the next 3 P's being the extended marketing mix.

- **Product** is your core offering.This is "the thing" that will fulfill the needs of your customer. If your product is faulty, every thing else fails. The attributes of the product, vis-a-vis the attributes offered by competing products and substitutes, are important in estimating the competitive scenario for the marketing strategy formulation.
- **Price** has a lot of impact on the service buyer's satisfaction level. Often, paying a higher price makes a customer more satisfied. Price is often considered a proxy for quality and vice-versa. What is important to note that services being all the more intangible, the price becomes an important factor for the actual service consumption to happen, after service awareness and service acknowledgement.
- **Place** often offers a different side of value (utility) to the customer. Who would want to travel 10 miles to have a regular dinner, even if that is priced very competitively and has a super quality? Services are often chosen for their place

utility. Closer to the customer means higher probability of purchase. Place utility is important to evaluate, for strategizing on the other 6 Ps.

- **Promotion** plays a role in the perception the possible target audience may have about your service. There has to be a fit between the promotion and the positioning. Promotion leads to service (brand) recognition and further establishes a proxy to evaluate quality of services based by potential customers. Many different promotional tools are often used like internet advertisement, special events, endorsements which happen out of the store or in-store merchandising like plastic dump bins anddigital signage.
- **People** are crucial in service delivery. The best food may not seem equally palatable if the waitress is in a sour mood. A smile always helps. Intensive training for your human resources on how to handle customers and how to deal with contingencies, is crucial for your success.
- **Processes** are important to deliver a quality service. Services being intangible, processes become all the more crucial to ensure standards are met with. Process mapping ensures that your service is perceived as being dependable by your target segment.
- **Physical evidence** affects the customer's satisfaction. Often, services being intangible, customers depend on other cues to judge the offering. This is where physical evidence plays a part. Would you like eating at a joint where the table is greasy or the waitresses and cooks look untidy and wear a stained apron? Surely you would evaluate the quality of your experience through proxies such as these.

Services marketing is that elusive concept which stays incomplete without a thorough understanding of 7 Ps. These form the critical success factors for any service as evaluated by a possible customer.

Another P which has grown in significance in Services Marketing is the 8th P, namely Productivity and Quality, more details of which can be found in our article

"**The 8 Ps of Services Marketing**"


PLACE
Retail
Wholesale
Mail order
Internet
Direct Sales
Peer to Peer
Multi-Channel
PRODUCT
Design
Technology
Usefulness
Convenience
Value
Quality
Packaging
Branding
Accessories
Warranties
PRICE
Strategies:
Skimming
Penetration
Psychological
Cost-Plus
Loss leader, etc.
TARGET MARKET
Physical Environment
Smart
Run-down
Interface
Comfort
Facilities
PROMOTION
Special Offers
Advertising
Endorsements
User trials
Direct mailing
Leaflets/posters
Free gifts
Competitions
Joint ventures
Process
Especially relevant to service industries
How are services consumed?
People
Employees
Management
Culture
Customer Service

However, one needs to be aware of the limitations of this framework while applying it in a business context. So in this article, we will discuss some of the major limitations of this services marketing framework.

One of the major drawbacks of the 7 P framework is that it does not address issues related to productivity in terms of both quantity and quality of service delivery. In integral services management, improving productivity during service is a requisite in overall cost management; but quality, as defined by the customer, is essential for a service to differentiate itself from other providers. These two deliverables are essentially opposite to each other in terms of goals. A firm would want to pursue a strategy involving cost minimization but still quality maximization. Hence a strategy that manages trade-off between such conflicting goals is needed to be optimized.

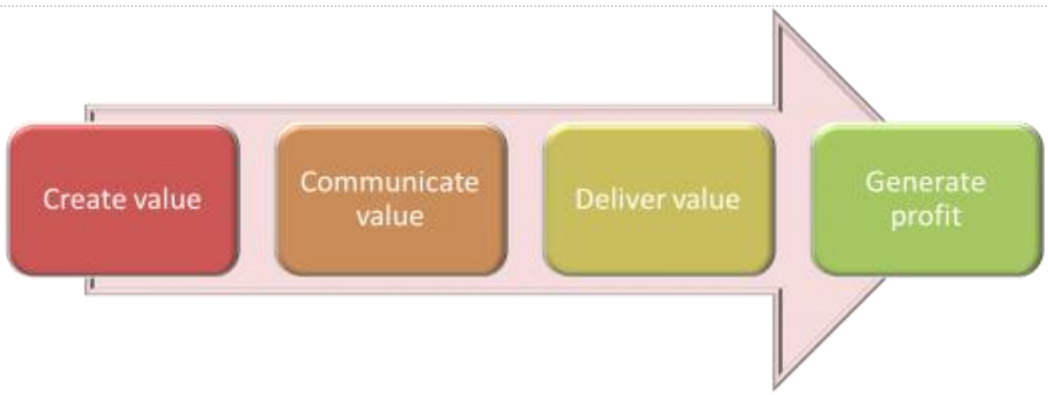
Similarly, another major important issue is managing the core competencies embedded within a firm. Services are essentially intangible in nature, by its very definition. Processes like service delivery address only a small part of the larger cake. Drawing from the resource based view, the organizational competencies are not matched through this framework, which is one of the building pillars of developing strategic frameworks which are external in nature. The viewing of internal resources in silos is somewhat a barrier for this framework, if used to develop an actionable strategy.

Another limitation of this framework is that it does not provide a mapping between the pricing strategies that needs to be followed, vis-a-vis the productivized version of the service. That mapping is often one of the mostimportant drivers that can create or break the adoption of a service. A mapping of pricing to the critical dimensions (features) of the productivized service draws its theories from the pricing of services, which are often done in silos, since dimensions cannot be identified which are in unision but not over-lapping to the main delivery. Over-lapping dimensions create a perception of fluctuating utility among the consumers, and since these are intangible, the overall valuation of the importance and value of a service, gets impacted in a major way.

Understanding the limitations of any theoretical framework before applying it to practical scenarios is crucial for the success of the strategic plan.

Marketing Theory – CCDVTP

CCDVTP stands for "create, communicate, deliver the value to the target market at a profit", a term that has been popularised by Philip Kotler. It is being considered as an emerging lingo amongst marketing professionals ever since it was coined. This has caught the attention since it connects three ideals that are often existing in silos in marketing organizations. This has been identified as the value chain in marketing, among the other important marketing theories and today, surprisingly has become a buzzword in many interviews for marketing and sales jobs.



Creating value is synchronized with product management, whether the product or service is tangible or intangible. The product is what is the core of value creation, for your customers and also for your firm. Product life cycle management is thus one of the crucial activities in product management. Today, services and products need to be managed so as to deliver quality value consistently. There are many frameworks which enable the product management team create consistencies across delivery of the same. However, creating the best product or service offering will result in no value for the producer, unless the same can be communicated. This is where branding exercises are conducted.

Communicating the value of a product or service is branding and brand management. A highly valued product or service which a producer company may perceive, must also be conceived by the user as having similar value or more. Otherwise the whole exercise of creation of the offering through proper product management strategies, falls flat. Branding enables a firm to rely on the pull strategy rather than on the push strategy, and it has been observed that firms generate higher profitability from the pull strategy than from the push strategy.

Delivering value is synchronous with customer management. Value is generated at the

point of consumption of any offering, be it a product or a service. Customer value management is the process by which this value may be tapped successfully to create value for the firm. This is the process by which the results of all the effort taken in creation of value is actually realized by the firm and directly affects the top-line of the firm's financials. It has been seen that through proper customer management, customer satisfaction increases substantially which in turn reduces churn rate and increases revenue from increasing customer satisfaction.

Jobs and Careers in Marketing

Marketing Management is a discipline focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities for the purpose of creating a demand for the firm's products for selling the same.

The term "marketing" as it is known now, was coined in the early 1930s by the American Marketing Association presidential address. While manufacturing was then the focus in business, a subsequent need was recognized to sell what was getting manufactured more efficiently in existing markets. While marketing management as a discipline of research and application has seen waves of changes in key strategic inclination and focus, the core has somewhat remained unchanged.

So what draws most of the marketing professionals to this discipline?

1. First, it is theoretically very easy. The technicalities are somewhat lesser than many other super-hyped fields like Finance or Technology
2. A lot depends on the quick thinking of the marketer. Understanding and having a good business acumen is an added bonus.
3. The careers and jobs are promising yet offer dynamic changes to every professional, suitable to satisfy a broad variety of needs. Not everyone is cut-out for every job. Understanding job requirements as a fit with one's personality type is a must for the sustained growth of every professional.
4. It offers choices for career shifts industry wise and role wise, must for every professional, if one faces a mid career crisis.
5. Last, and most excitingly, it offers a track to reach the coveted "CEO" position in the organization. Most top executives have a background in marketing, if not all.

So what roles do traditional marketing roles get you into?

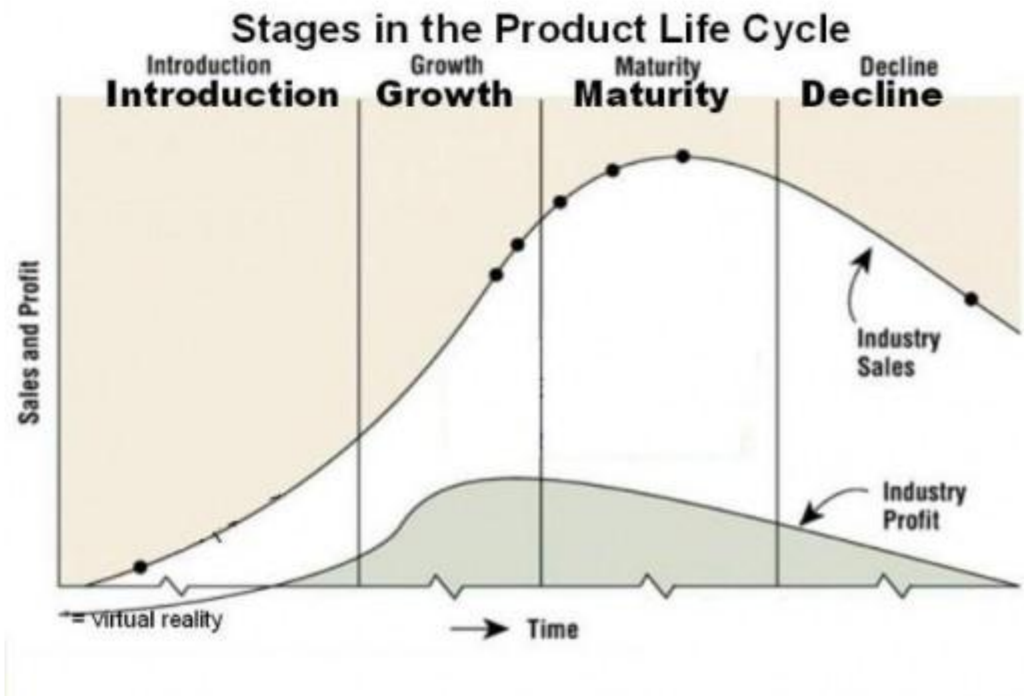
Jobs in marketing can vary a lot. However, besides traditional paths in sales and marketing, there are many other roles in marketing, a list of which is prepared below:

1. **Business Development in Information Technology and Services companies** (like jobs in IBM, Google, Microsoft, Adobe, Amazon)

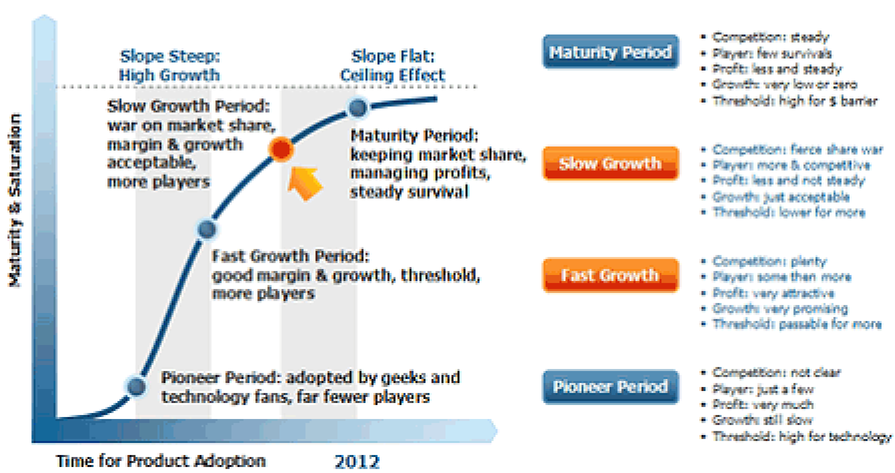
2. **Market Research institutions** (e.g. like jobs in AC Nielson, IMRB *)*
3. **Consumer goods manufacturing institutions** in marketing, sales, branding, strategy (higher in the organization) like jobs in Unilever, Procter & Gamble or in jobs in the **FMCG** sector.
4. **Consumer durables manufacturing companies** in marketing, sales, branding, strategy (higher in the organization) like jobs in Sony, Apple, Toshiba
5. **Product management and even in development in research labs** (like jobs in 3M)
6. **Need recognition of markets** yet to be created (like jobs in MR divisions in MNCs like Tata Group, 3M)
7. **Retail chain management** (both marketing, sales and supply chain functions are sometimes merged) like jobs in Wallmart, K-Mart, Reliance Fresh.
8. **Social sector and NGOs.** Even social marketing is a major concern in current fast paced societies.
9. Internet marketing service professional: You may start marketing websites as a SEO expert.
10. Affiliate marketing professional: Create your own chain of hierarchy and get the benefits of the sales from it. E.G. Make money from tweeting and making friends join you in the same using MyLikes

Product Life Cycle Management

Product life cycle management (or **PLC management**) is the sequential formulation and implementation of strategies used by Marketing Professionals as a product goes through its life cycle. The conditions of the market in which a product gets sold changes over time and the issues that arises with the changes must be managed as the product moves through its succession of stages.



The market characteristics and challenges faced in each stage of the product life cycle is very unique and certain issues are common across industries.



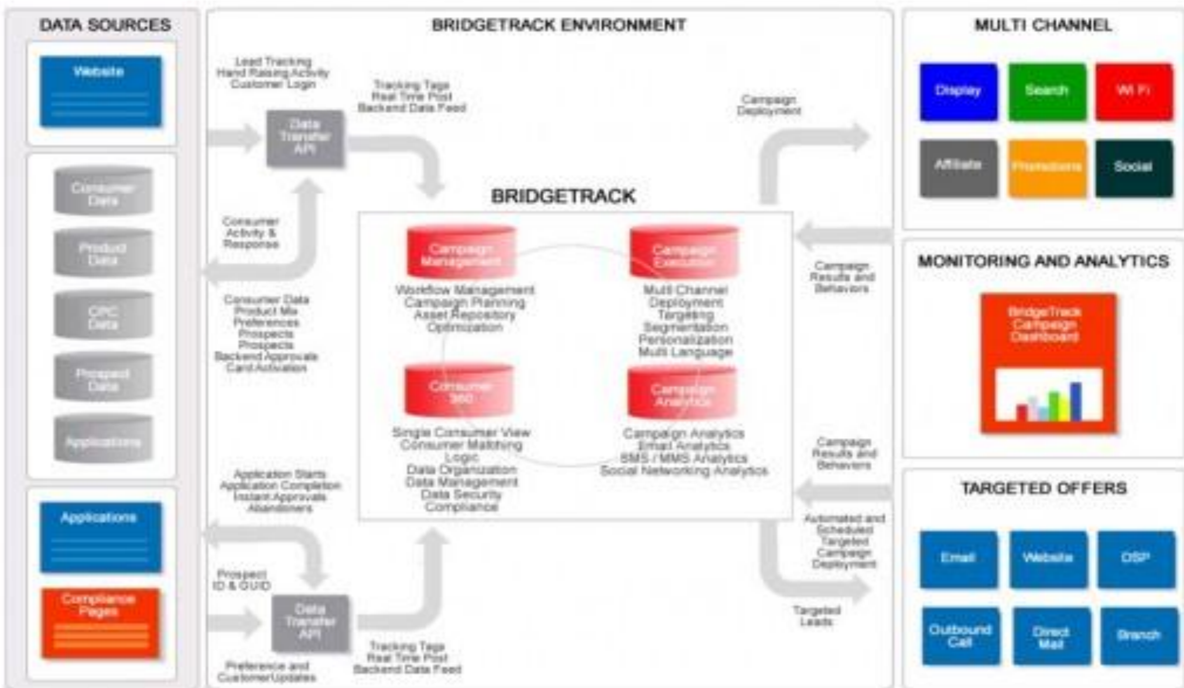
Stage	Characteristics
1. Market introduction stage	1. costs are very high 2. slow sales volumes to start 3. little or no competition 4. demand has to be created 5. customers have to be prompted to try the product 6. makes no money at this stage
2. Growth stage	1. costs reduced due to economies of scale 2. sales volume increases significantly 3. profitability begins to rise 4. public awareness increases 5. competition begins to increase with a few new players in establishing market 6. increased competition leads to price decreases
3. Maturity stage	1. costs are lowered as a result of production volumes increasing and experience curve effects 2. sales volume peaks and market saturation is reached 3. increase in competitors entering the market 4. prices tend to drop due to the proliferation of competing products 5. brand differentiation and feature diversification is emphasized to maintain or increase market share 6. Industrial profits go down
4. Saturation and decline stage	1. costs become counter-optimal 2. sales volume decline or stabilize 3. prices, profitability diminish 4. profit becomes more a challenge of production/distribution efficiency than increased sales

Based on these characteristics Product and Brand managers take decisions about formulation and implementation of strategy.

The GE-McKinsey matrix is often used for analysis of the business market structure and subsequently design a series of strategies, based on the analysis. Another similar tool for analysis is the Michael Porter's 5 forces model.

Marketing Plan – Blueprint for Marketing Strategy

Today when so much investments are dependent on the **outcome of a marketing plan**, the same needs to be scrutinized very deeply so as to minimize the **risks of non-performance**. One such way is to ensure the proper implementation using a marketing strategy plan or a blue-print of implementation for your strategy. So what is a marketing strategy plan?



Basically, it encompasses all the activities in details that needs to be done to ensure that a campaign is successful.

- For a marketing plan to be successful, the primary importance is understanding whether its adherence to the main marketing mix (4 Ps) is done in a well planned manner. If your objective is to deliver a service, then the 7Ps of Services Marketing needs to be checked out for planned adherence.
- If you are focusing on extensive usage of technology, are you having ample focus on how you are leveraging the usage of technology vis-a-vis the competencies within your team? Did you take care of the Basics of Digital Marketing Strategy?
- Have you given the implementation a thought? Is there a **structured sequential blueprint** to your**Marketing Plan** which you are planning to operationalize?
- What is the targeted returns you are expecting from your campaign? Do a cost vis-a-vis outcome-benefit break up for the entire blue-print stage wise. Does each stage commensurate the **Expected Returns on Investments** (ROI) figures?
- Last, not the least, does it go hand in hand with the internal competencies of the team that will be implementing your strategy? A great strategy may fall flat without due importance given to the implementation and the competencies of the team.

Do let us know if you need any clarification. Hope you enjoyed reading our articles. By the way, do check outPrintmeIt.com, they create wonderful flyers and brochures which you can you for your advertising campaigns.

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- The Evolution of Marketing Management – The History & Future
- The 7S for Digital Marketing

The 8 Ps of Services Marketing

Services are radically different from products and need to be marketed very differently. So the classical 4 P structure of the Marketing Mix needs to be modified suitably to incorporate the 8 Ps for services marketing, which was previously known as the 7 Ps only.

Services can range from financial services provided by the banks to technology services provided by the IT company or hospitality services provided by hotels and restaurants or even a blog where an author provides a service (information presentation, interesting reading etc) to his audience. Services marketing are dominated by the 7 Ps of marketing namely **Product, Price, Place, Promotion, People, Process** and **Physical evidence**.

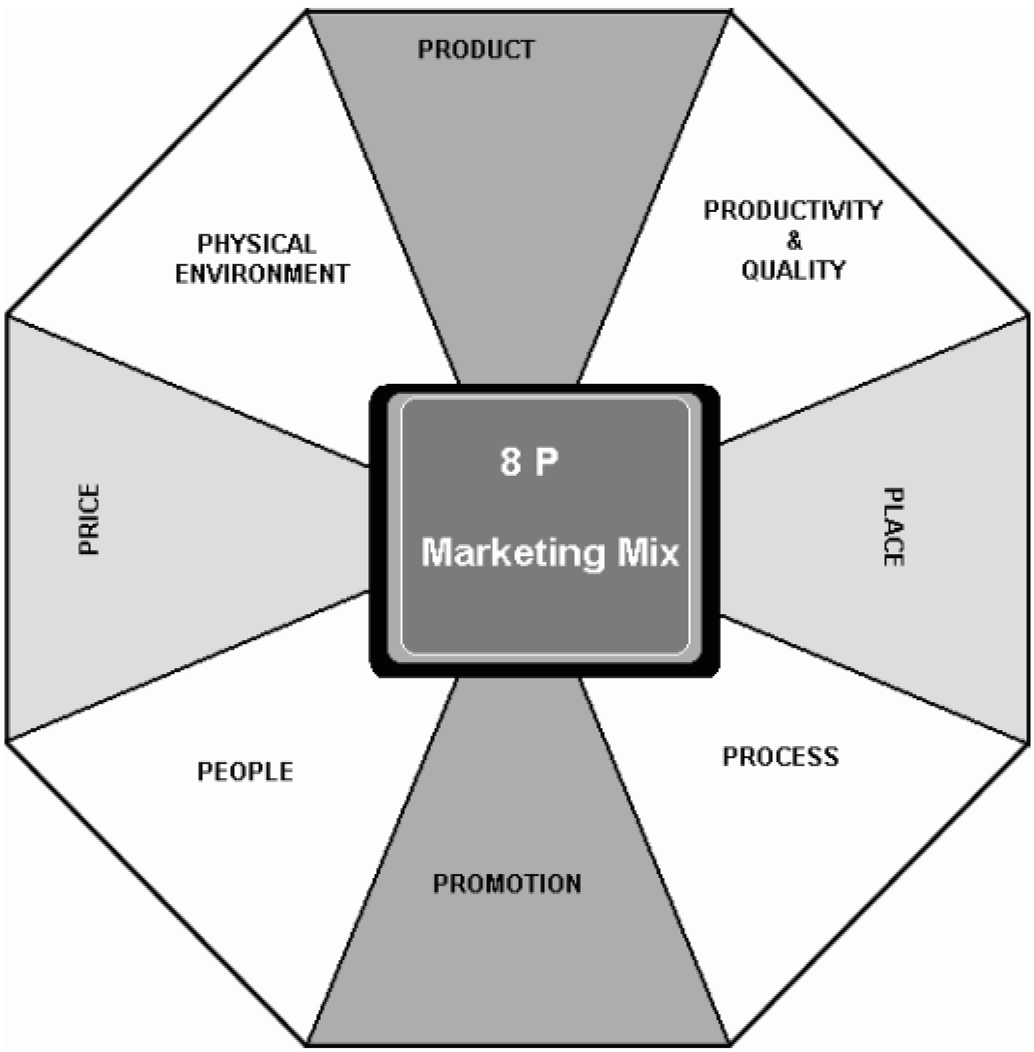
To know more in details about the classical 7 Ps of services marketing do visit our article on **The 7 Ps of services marketing**

While everyone knows about the 7 Ps of services marketing, the **8th P of Services Marketing** has emerged in research very recently. The 8th P is **Productivity and Quality**.

In integral services management, improving productivity is a requisite in cost management; but quality, as defined by the customer, is essential for a service to differentiate itself from other providers.

It has been recognized that overall profitability of a firm may be greatly impacted by focusing on not only at the top-line by improving sales but also focusing on the bottom-line by lowering over-all cost of delivering services. In services management, often the variable costs are a lot more than fixed costs, and so incremental costs, if managed properly can have a huge impact on productivity. So for services, a firm may greatly benefit through proper re-engineering of processes and remodeling the same if required to improve productivity at each stage.

It has also been established in research that process improvements deliver better standardization and hence better quality in services. Quality perception is a crucial differentiating factor on services management and for long term sustainability of the same. Business Process Remodeling can lead to major process efficiency improvements which again can impact overall quality as is actually delivered by the firm and is also perceived by the customers / clientele .



Do let us know if you liked our article or if you have any questions. By the way, have you read our article on the [4 P's on Social Marketing?]

Also did you read our article on the [The 4 P’s of Marketing – The Marketing Mix strategies]() from which the 7 P Marketing Mix theory actually evolves?

[The Evolution of Marketing Management – The History & Future]()

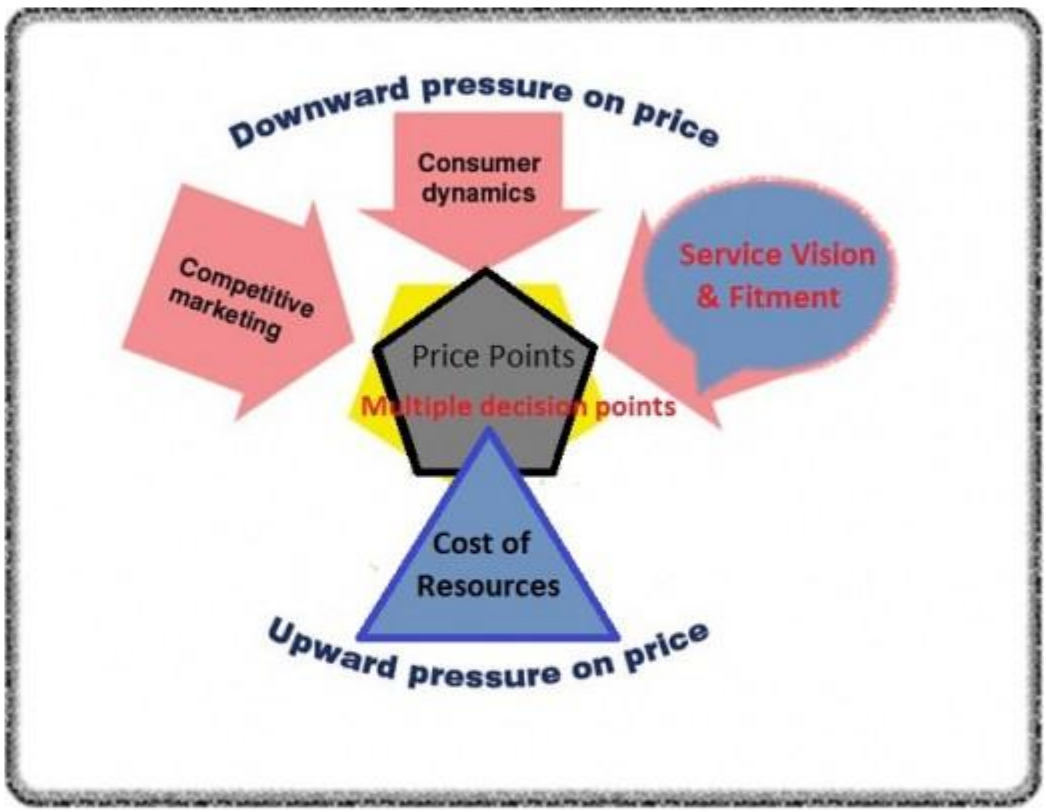
Marketing Management is a discipline focused on the practical application of marketing techniques and the management of a firm’s marketing resources and activities for the purpose of creating a demand for the firm’s products for selling the same.

Traditionally, marketing management was partitioned into three silos, namely the 3 C’s, “Customer analysis”, “Company analysis” and “Competitor analysis” (so-called “3Cs” analysis). Over the years, it has evolved into an integrative five “Cs”: “Customer analysis”, “Company analysis”, “Collaborator analysis”, “Competitor analysis”, and “Analysis of the industry Context”.

As the focus of marketing shifted from 3 Cs to 5Cs, so has the strategic intent of firms. It was recognized that a Pull strategy is way more sustainable than a Push strategy, and so has the models of integrative marketing management.

Pricing models for Outsourcing and BPOs

Outsourcing in current times is more value adding exercise done to enhance competitive advantage by focusing on the areas of core competency rather than just a cost saving practice, as it used to be. Its role as a business-value-creator is established across the world in terms of long-term gains like increased customer satisfaction and decreased customer churn along with short term cost cutting. Along with changes in outsourcing objectives and practices, the pricing models also keep changing in the outsourcing industry.



A transaction based pricing model is based totally on the number of transactions. It draws theory from the concept of economics of scale from resource sharing and usage based pricing. In this pricing model the client typically pays the service provider for individual transactions or per unit of work performed by the resources deployed. In such a model, SMEs benefit drastically from resource sharing with overall lower cost of outsourcing. An average base level of transaction is defined in the SOW, the fluctuation from which impacts the per-transaction base level pricing, in this model.

Similarly, an FTE based pricing model is one where the client pays for the time & material invested directly by the service provider. Often in outsourcing contracts, this is further broken down into multiple categories dependent on the expertise of the resources deployed, complexity of tasks performed (which impacts turn-around time of task completion), degree of domain experience and onshore/offshore presence. Typically these are fully loaded costs with often standardized SOWs including factors like number and level of resources deployed; infrastructure and external dependencies bundled into the price points.

While another variation of pricing models that can under serious contemplation is the Risk/Reward sharing pricing models, where the benefits and the losses of the services outsourced are shared amongst the partners. This is a move towards greater collaboration between separate partners in a value chain. However, for such a pricing model to be really successful there has to be significant maturity in the process level which can then be mapped to quantifiable benefits. As of now, since the services rendered by BPOs/KPOs are yet to reach the required level of maturity, these pricing models are yet to be adopted as industry standards.

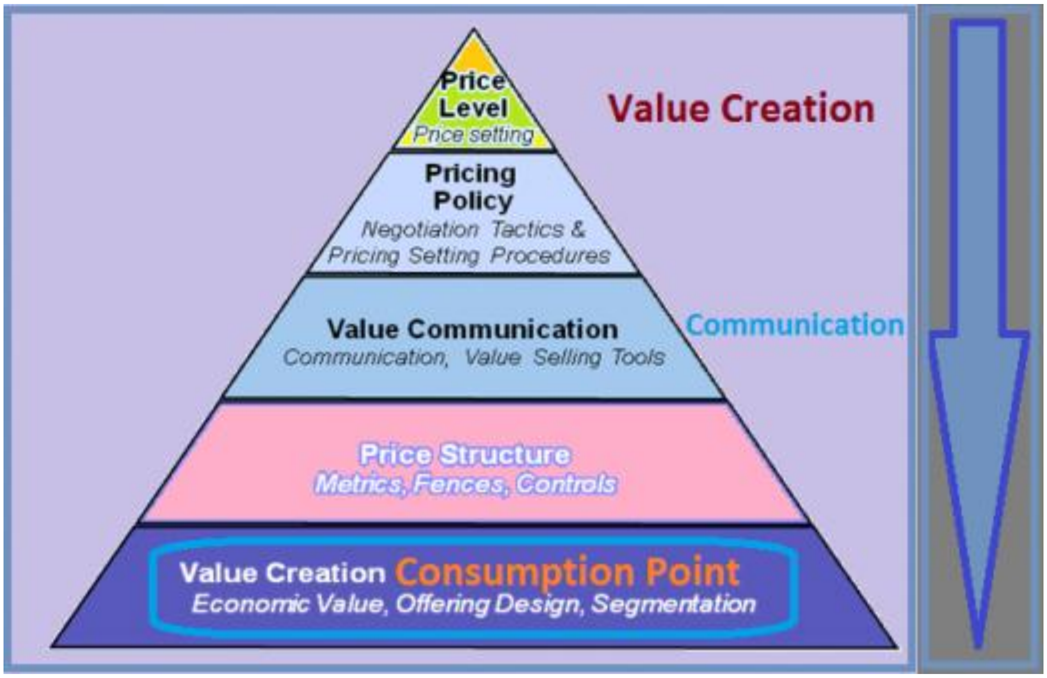
Next comes the big question: When to choose which pricing model?

Typically transaction-based pricing models would be more suitable for Small or Medium sized organizations where transaction count would not be significantly high. In such organization, keeping a dedicated division (with active resources) would be more cost-intensive than sourcing it to third party service providers. Thus in such scenarios, a transaction based costing would be more beneficial. Similarly, if the transaction volume is on the higher side, a FTE based pricing model (and outsourcing SOW) would be more cost effective and thus more suitable for the organization.

Also, if the transaction levels are subject to high degree of fluctuation, a transaction based model (and thus the SOW) is more suitable and beneficial for both the parties involved in the deal.

Pricing of Telecommunication Network Services

Pricing is one of the key components of services marketing. Service providers like that of telecom service providers, often are at a major dilemma, how to price their offerings? What would be a sensitive price point for converting a potential target customer into an actual consumer? The divide between perceived value of a service and its perceived cost would often vary across segments of customers for the same service offering.



So how should a pricing manager go about pricing network services? Typically some of the more classical approaches in pricing Telecommunication Network Services are as follows:

Services Process Mapping

Typically services are characterized by the **7 Ps of services marketing** namely Product, Price, Place, Promotion, People, Process and Physical evidence.

One of the crucial success factors for a service to gather acceptance amongst its target market is that of a proper mapping of one of the crucial dimensions of the 7 Ps, namely the **Process**.

Process mapping in services marketing is simply a sequential workflow diagram to display a clearer understanding of a series of sequential processes or series of parallel processes that takes place while a service gets delivered to the customer. Processes are important to deliver consistency in quality in a service. Services being intangible, processes become all the more crucial to ensure standards are met with.

Relative to a services marketing strategy, mapping of service processes ensures that a quantifiable way is used to determine where and in what amount current resources are being allocated. Once a service delivery manager knows exactly how the current resources are being used, he can optimally allocate resources in the future. It also helps to uncover inefficiencies and non-value added activities.

Service process mapping also helps move services process from a reactive to a proactive mode. Bottlenecks in service delivery may be identified and the exercise helps to ensure that quantifiable structured improvement in the service delivery may be achieved by the service provider.

The above framework gives a step my step description of how services should be mapped to ensure consistency in service quality delivery, which plays a key role in fulfilling customer expectations and thus ensure customer satisfaction.

The benefits of following a services mapping exercise are as follows:

- Focuses the workforce on the customer's perspective of the service process.
- Ensures more reliable and consistent service delivery processes across all units.
- Increases cross-functional communication.
- Improves the start-to-finish project time.
- Serves as an excellent training aid for new employees.

- Uncovers inefficiencies and non-value added activities.
- Identifies obstacles and bottlenecks that are hampering the service delivery.
- Provides management with the scope to make structured improvements.

4 Cs of Marketing – The Marketing Mix

R.F. Lauterborn (1993) proposed a **4 Cs** classification to address the growing focus of marketing strategist on the consumer. While the **4 Ps framework** for defining the marketing mix has been popular for decades, the four Cs have gained in terms of importance, considerably in recent times.

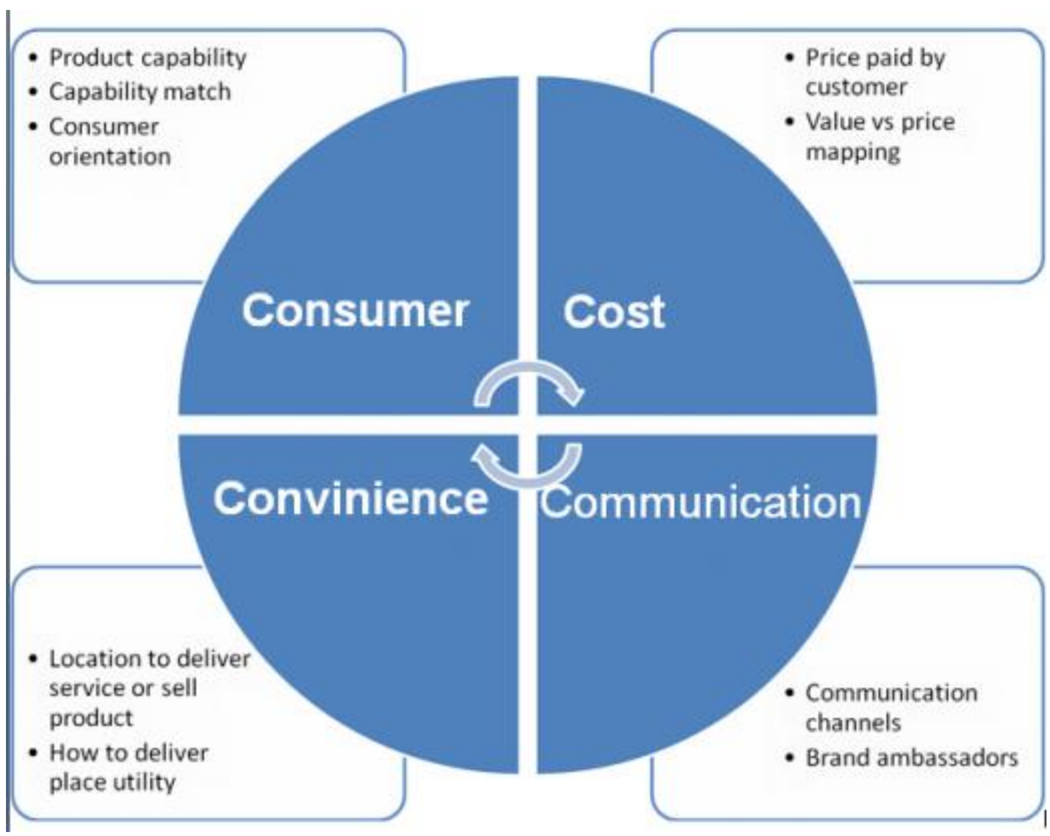
The 4 Cs consists of
CONSUMER, ***COST***, ***CONVENIENCE*** *and* ***COMMUNICATION***.

4 Ps Marketing Mix	conversion focus	4 Cs Marketing Mix
Product	→	Consumer
Price		Cost
Place		Convenience
Promotion		Communication

The roots of the 4 Cs of marketing can be traced back to the classical 4 Ps marketing mix. However, with the onset of database marketing, the focus has shifted in marketing from a consumer transactional view-point to a consumer relationship viewpoint (and very recently **consumer engagement**). However, the basic focal strategic issues remain unchanged at its very core.
The details which a manager designing a marketing mix using the four Cs needs to focus on are as follows:

- **Consumer (*customer*) is the king.** No longer can products be developed and pushed to the consumer in the hope of conversion of a purchase decision. Gone are those days when consumers had to buy products to satisfy needs for a simple lack of substitute. The market is over saturated with great products. Consumer behavior needs to be studied thoroughly from the product development phase itself. The attributes of any product should be almost built-to-order in current times, and substantial inputs should be taken from primary market research.

- **Pricing is crucial**. The pricing strategies undertaken by any product development company should keep the perceived value of the product, to the consumer, in mind while deciding a pricing strategy. Effort should be made to estimate a customer's tradeoffs among multiple attributes in a product so as to arrive at the perceived total value while pricing a multi-attribute product.
- **Convenience of the service delivery or product purchase location is crucial**. The price utility often is a differentiating factor in the success stories of many a promising product. It becomes extremely important especially if the product purchase is a low engagement decision making process, like that of purchase of day-to-day products.
- **Communication is crucial**. As opposed to the initial focus of brand promotion, communication of the brand personally so as create a brand awareness and brand cognition is extremely crucial for a sustainable pull strategy. Every brand is perceived to have a personality. Communicating the same using proper communication channels becomes crucial for the success of any marketing campaign.



While the focus of designing a marketing mix has shifted from the 4 Ps to the 4 Cs, it is extremely crucial to understand that the underlying core remains the same. The major shift has been due to a paradigm change of focus from the product or service design to understanding the customer. This is where a 4 Cs strategy scoresover the 4 Ps or 7 Ps strategy.

- Maximization of consumer surplus
- Welfare maximization
- Peak load pricing
- Pareto optimal pricing
- Ramsey prices
- Cost based pricing

Here the objective of the pricing manager would be to set a pricing technique which depends on measurable parameters

- Fully distributed cost pricing (preferred by regulator)
- It may obscure the fact of inefficient technology
- Over provisioning of infrastructure
- Long run incremental cost approach
- It may be costly to implement

This pricing technique must ensure that if not at an individual service level, at least at a service bundle level, the price bundles post consumption must be profitable to the service provider.

Another major challenge for the pricing manager is how to apportion the cost when same resource produces two services (voice and video). This becomes extensively critical when a cost based pricing mechanism is used. It is important to note at this point that decisions, if not prudently taken, would turn a Business Unit of the service provider into a potential cost center without strategic deliverables. Cost apportionment is especially problematic and questionable in an industry marked by production not directly proportional to input materials (as all services are, where the intellectual capital matters a lot more than tangible artifacts).

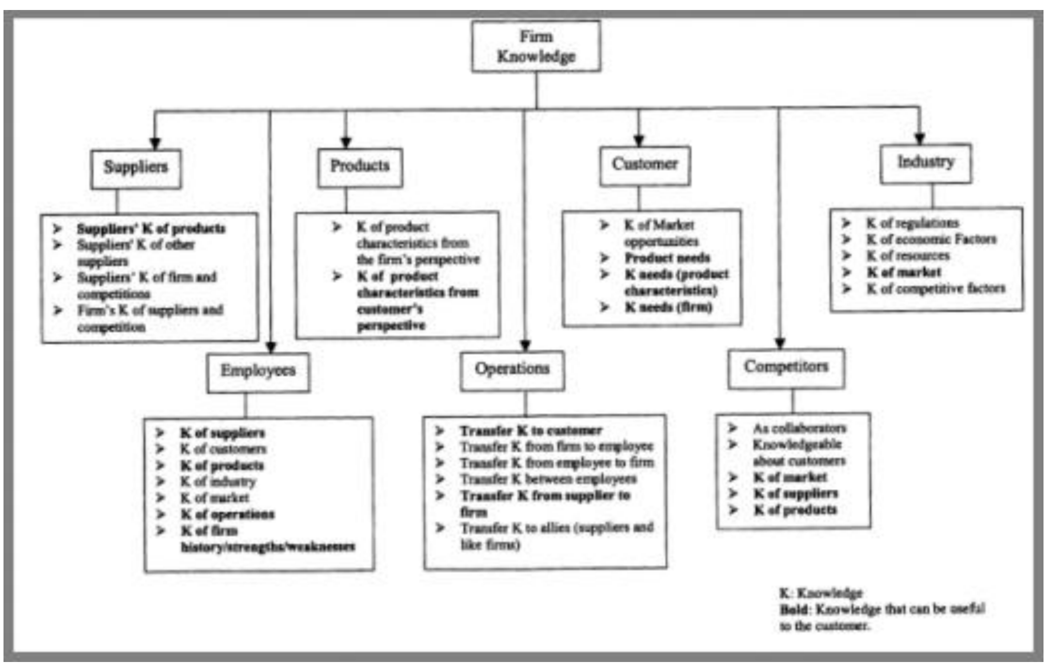
To take care of this challenge, one may approach this dilemma using the following approaches:

- Subsidy free (very difficult to decide on the price)
- Sustainable (Ramsey pricing)
- Activity based costing : It is based on a hierarchy of four levels and is a refinement of FDC approach

Another major issue is Pricing Services Bundles. Pricing is a major decision point in the adoption of service bundles, especially when the key differentiators are extremely intangible in nature. That again is another ball game. If you find that interesting, you can go through the following article of mine: A Model for Bundling Mobile Value Added Services using Neural Networks, 2012, International Journal of Applied Decision Sciences, Vol. 5, No. 1.

Customer Knowledge Management

Coined in 2002 by García-Murillo and Annabi, customer knowledge management is the newest thing in the series of customer value management (See **customer life time value management** & **customer network value management**). Gathering, managing, and sharing customer knowledge can be a highly valuable competitive tool that companies and scholars have not yet considered to the extent possible it can be done. Today, the insights of the customers should be used right from the very beginning from the product development stage to the final stages of the product life cycle. García-Murillo and Annabi (2002) gives a pretty comprehensive framework of knowledge management, across the entire continuum, that a firm needs to practice throughout the value chain to deliver value for the potential customers.



Having customer insights and managing the same through good processes and is important for getting better and more timely design of new products and services;

early warning of possible turbulence and competitive intelligence; customer commitment and loyalty; and deriving the maximum benefits from the synergy of collaboration. So how should one manage the insights customers may have effectively to draw the maximum value for the firm?

Today, a lot of informal knowledge lies in the knowledge portals available in the web. There are so many blogs and online forums where there is a high level of potential customer engagement, through mutual exchanges of information and discussions. Knowledge management through the mining of such unstructured data is one of the surest way to capture the customer sentiments and knowledge. If the insights can be successfully incorporated into the processes while the firm is developing a product, it may be a sure gateway to success.

Today many companies are incorporating a higher degree of customer engagement activities in their relationship management strategies. It is being felt that active voice of a customer can have an effect beyond the customer's lifetime value and the customer's network value. The insights can be actually incorporated within the product finalization stage itself, so that the customer can be engaged and bound into a relationship, even before the product is formally launched into the market. Not only this tactic draws higher brand recognition, it paves the path for a higher relationship development of the firm with its customers. Gibbert et al. provides an excellent framework for managing the knowledge of customers through three focused strategies, namely, Prosumerism, Team based co-learning and mutual innovation.

Style/Characteristic (Gibbert et al.)	Prosumerism	Team-based Co-learning	Mutual Innovation
Focus	Developing tangible assets and benefits	Creating corporate social capital	Creating new products & processes
Objective	Improved products & resulting benefits	Facilitate team learning for dealing with systemic change	Create max return from new ideas
Processes	Pre, -Concurrent- & Post production integration	Teamwork, empowerment, case development, quality programs	Idea Fairs; Brainstorming; Customer Incubation
Systems	Planning, Control and decision supp. systems	Knowledge sharing systems, Digital "nervous" systems, customer visits in teams	Idea Generation Support Systems
Performance Measures	Effectiveness & Efficiency, Customer satisfaction & success	Systems Productivity, Quality, Customer satisfaction & success	ROI from new products & processes, Customer success
Type of knowledge	More explicit	Explicit and tacit	More tacit
Intensity of interaction	Relatively low	Low to high	Relatively low

- Alvin Toffler (1980) first used the expression "**prosumer**" to denote that the customer could fill the dual roles of producer and consumer. The CKM process transforms the customer into a co-value creator, endowing them with new competencies and benefaction opportunities. It liberates the customer from the platform of only past, accumulated knowledge by stimulating the knowledge within them for the co-production of value.
- In **team based co-learning**, the inter-linkages with the customer base and their interactive joint learning with the customers require a higher level of engagement of the firm with the customers. Customer may be actively involved in the product refinement itself.
- **Mutual innovation** is possible when the firm actually starts incentivising the potential customers for the mutual creation of value. This is often feasible only if custom made products are being manufactured, and less feasible for standardized products.

In all the three cases, it is evident that there is immense benefits that can be reaped if customer knowledge management can be done to co-create value with the customers. The insights of the customers can be of extreme significance to sustainably market a product throughout the **product life cycle**. Hopefully, in the future, a higher degree of customer engagement will be available while developing the product itself and throughout the PLC curve.

Digital Marketing Presentation

Digital Marketing is the promotion of an offering using all forms of digital advertising media to reach the target segment. Today, theoretically, these channels of promotion include Radio, mobile, Internet, Television, social media marketing and other less popular forms of digital media. However, when speaking in a generalized manner, digital marketing is synchronously connected with marketing using the web or internet.

Most of us strive to understand the nuances of **Digital Marketing**, especially when it comes to understanding the theory with a deeper perspective than is presented in most blogs and online forums. This presentation / ppt is for all those who are searching for a crisp yet highly informative presentation/ebook on digital marketing.

Check out this ebook/presentation on the theory behind digital marketing and search engine optimization. Advanced Guide to Digital Marketing

DOWNLOAD THIS PRESENTATION NOW TO UNDERSTAND THE MANAGEMENT THEORIES BEHIND DIGITAL MARKETING.

In this presentation, the main focus is on 6 different sub-topics in digital marketing

1. Theoretical frameworks which affect digital marketing strategy development
2. Digital branding theories and frameworks
3. Digital Marketing Research, the roadmap for success
4. Optimizing through Web Analytics
5. Promotions and Advertising Channels
6. Finally the eye of the Apple: SEARCH ENGINE OPTIMIZATION. Here we discuss in details about how it is done, the best practices, what’s done and what’s not done, and so much more..

Here’s a sneak peek to the slide of contents for all those who are still deliberating whether to download this ebook or presentation.

List of Contents

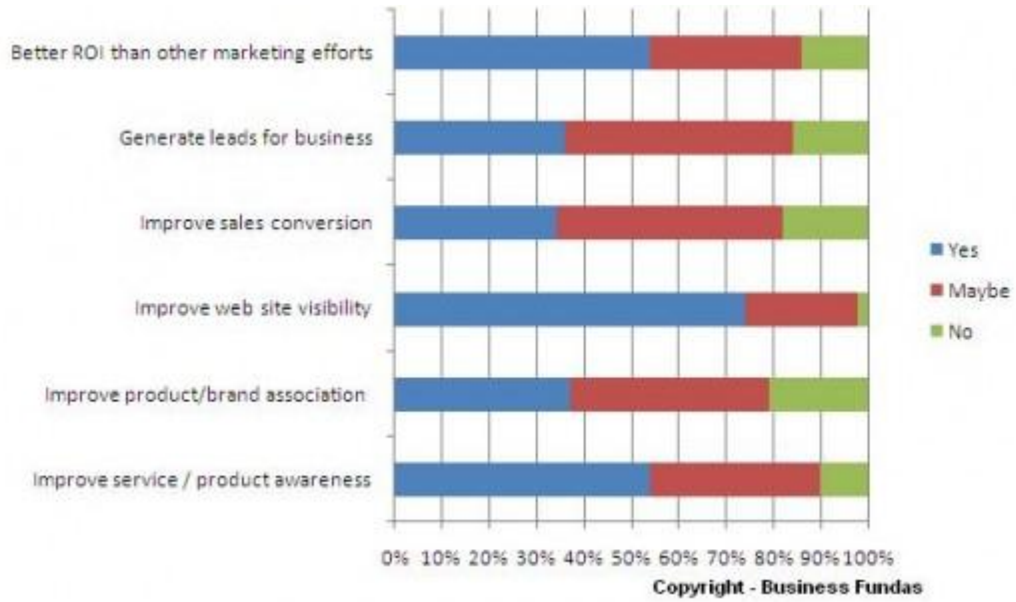
Advanced Guide to Digital Marketing

This week we have a special gift for all our email subscribers. You have special access to the "Advanced Guide to Digital Marketing" for free. To download your free copy, subscribe via email. The footer section of the newsletter contains the download link for the guide, which will boost your understanding of digital marketing. It is short and crisp, and will help you to deliver. It is a 32 page document which will provide enormous insight on how to brand your offering, how to do market research and how to optimize your web-site using SEO tactics to ensure greater visibility on web. In fact the SEO section has been designed to ensure you have a deeper understanding on how to deliver greater value to your business.

Benefits of Social Media Marketing

In an independent survey conducted by Business Fundas, where we sent a questionnaire to our 20,000+ strong twitter followers consisting mainly of social media marketers, we tried to find the perceived benefits of social media marketing. The responses of the questionnaire were analyzed for understanding the

perceived benefits of social media marketing and the responses of the same are demonstrated in the diagram below.
The survey was administered through not only our twitter followers but also to numerous followers and subscribers of our mailing list and finally 534 responses were collected on our questionnaire, all of who are marketing experts on social media websites and have their own online marketing venture.



The responses clearly portray the perceived benefits of social media marketing campaigns by the marketers.

From our personal analysis, it appears that today, social media marketing can become even more fruitful to reach out markets for small businesses targeting social consumers and probably investments on marketing through social networks like Facebook are more likely to generate better results. Also targeted advertisements in search engine (since that is where most consumers first turn to for information query) are also more likely to impact sales conversion figures.

However, bigger firms are more likely to benefit from greater brand awareness, greater brand recall and greater brand association from investments in social media marketing. So purely from a **Branding Exercise**, social media marketing makes sense to larger consumer focused service providers or product marketers.

Services marketing strategy

Typically marketing of services is done following **the services marketing mix using the 7 Ps framework**unlike the **marketing of products for which the marketing mix involves the 4 Ps framework**. Today, marketing has evolved over time into a discipline of its own. Over time marketing managers have realized the sustainability of pull marketing than the traditional approach of push marketing strategies.

The initial movement in marketing strategies was from a direct marketing scenario to brand marketing. In direct marketing, the marketing managers typically had a role of sales managers and the most important strategic focus was to ensure a incentive structure for the sales force, both internal salesmen and external salesforce (dealers, retailers, distributors) such that the one-to-one marketing could be done at the point of sales. However, it was realized that if a fraction of the sales force deviated or moved to another firm, the entire customer segment was lost to the business. The face of the product or service was essentially the sales force. Now as services gained in importance, it was realized that the differentiation of services was even more difficult based on tangible features like that of a product. This was when brand marketing started getting its due importance, where a pull strategy was implemented so as to "pull" the customer to the product or service based on his perception of the quality of the same.

However, with services gaining prominence over time, it was realized that the very definition of services was evolving as more and more services were being focused on internet or info-tech based services where direct interaction with the customer was lost. While branding definitely ensured that the customers develop a brand association with the service, sometimes the nature of the service is such that the essence of the service is a transactional one. So brand marketing focus gradually started to shift towards customer engagement and the benefits of social networks started getting conceptualized. This paved the way for the next generation of marketing, namely marketing using social media.

Since services cannot be differentiated purely based on features on offer, the major differentiation to create a brand association and thus customer engagement, is through tapping the social networks. In the internet economy, social networks are getting increasingly dominated by social media and thus marketing managers of even larger traditional "brick and sell" firms have started recognizing this fact and focusing their efforts on social media marketing.

The **7 S framework for digital marketing** started gaining in prominence for services marketing strategists. While the dynamics of a pure **internet marketing strategy** is slightly different, the essence of the same has been captured in more **comprehensive frameworks on digital marketing**, which have been derived purely through the theories based on economic rationality.
Over time, it was realized that social media is perhaps the biggest tool today to lead a brand marketing strategy for many of the services and product categories, since in both cases, the target segment often uses the internet as a source of information (through websites or though the personal social network) while deciding on a service vendor. It is at the point of information search that social media marketing can create the largest impact and thus builds its reputation for having a high impact on "brand recall" at the "point of purchase".

Brand Personality Dimensions

Brand personality refers to those human personality traits (sometimes developed cognitively) which are developed harmoniously with a brand, whether it is a product or a service. While branding a product or a service, especially if it is new, or is being launched in a new market, or is getting repositioned in a new or existing market, in depth understanding of all the **dimensions of Brand Personality** is of utmost importanceto the product or service manager or the brand manager.

Consumers often describe products or services offered as brands (more often than not in their sub-conscious level of comprehension or brand association) by using descriptors of certain common personality traits. Marketers attempt to use this **consumer behavior** to create or reinforce these perceptions through strategies involving brand positioning or unique re-positioning. Now successfully positioning (or re-positioning) a brand's personality within a product category requires the application of multiple measurement models and frameworks. This is to ensure that the branding manager can successfully disentangle a brand's unique personality traits from those generic traits that are common across all the other brands in a similar product or service category and also from amongst its substitutes.

The dimensions of Brand Personality was initially proposed by Aaker (1997) in his famous brand personality framework consisting of 5 dimensions of every brand that impacts cognitive branding, brand association andbrand recollection. Again brand association appears to partially mediate the influence of the competence dimension of brand personality on brand attractiveness.

The 5 main dimensions of brand personality are Sincerity, Excitement, Competence, Sophistication, Ruggedness. Consumers perceive sincere brands as being honest, not-exaggerating, truthful, and cheerful. Similarly consumers perceive exciting brands as being daring, adventurous, high spirited, imaginative, and somewhat with a sharp cutting edge (especially for certain technology gadgets like the Play Station). Consumers perceive Competence from product or service reliability, deliver-ability and from the success symbols from a brand. A brand that is perceived to be sophisticated is viewed as being charming and associated with a higher snob value and thus fit for the upper society, or to fulfill higher order needs fromMaslow's hierarchy of needs. Similarly rugged personality brands are perceived to have the features of being outdoorsy and tough.

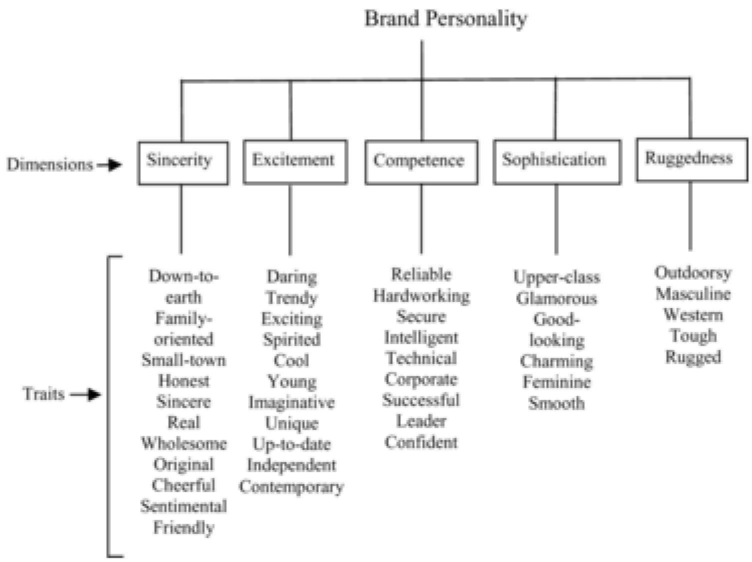
A BRAND PERSONALITY FRAMEWORK

Generally speaking, brand personality is likely to be more difficult to imitate by competing brands and substitute products, than more tangible product attributes or service level dimensions. So marketing practitioners have the advantage of using it more suitably to achieve more sustainable advantages (Ang and Lim 2006), for creating product or service level differentiation and positioning, which in turn ensures a Pull strategy and is more sustainable in the long run. This also creates the highly sought after greater**Brand Equity**, something for which in current times, branding and advertising managers spend millions (if not billions) of dollars upon.

Now, since **high brand equity** tends to occur when consumers have numerous positive and strong associations, either in the conscious our sub-conscious level, related to the brand. Brand association, which is defined as "anything linked in memory to a brand" is one of the major components of brand equity, and is greatly affected by the brand personality dimensions. Brand association, not only results in high greater brand awareness but also creates greater brand recall and so has a distinctively positive correlation with brand equity since it can represent brand quality and brand commitment. These in turn creates the initial platform for any product or service brand to harness the strength to pull consumers, i.e. **implement a pull strategy**.

Now brand name recognition with strong brand association can successfully developed through a carefully planned and panned out long-term marketing strategy, which involves activities like advertising, public relations, customer need identification, pricing, understanding evolving market dynamics and subsequent product or service offering modifications. No wonder today, multinational companies and business firms are investing millions and billions of dollars in advertising and other forms of marketing communications in order to create greater brand awareness and also greater brand association, so as to be able to **implement a pull strategy**.

With time a more detailed brand personality structure evolved as managers attempted to understand the requirements of branding activities better through greater focus on consumer behavior.



By the way, do you know about **how to create a marketing plan** in a structured manner?

Also, Have you read our article on the **Marketing Mix** or the **4 Ps of Marketing**?

Customer Lifetime Value management

Today "customer is the king" is the mantra for success for all marketing managers. But for actual decision making, the marketers (especially the relationship managers) are often poised with a simple challenge. They cannot meet the needs of of all the customers equally and satisfy them all. So how should they prioritize how to satisfy the needs of the customer and by what means to select such customers?

The answer lies in the estimation of the customer's lifetime value. **Customer lifetime value** (**CLV** or **CLTV**),or **lifetime value** (**LTV**), or **lifetime customer value** (**LCV**) is the net present value of the economic benefits (monetary returns in terms of cash flows) attributed to the relationship with a customer throughout his relationship with the company. The focus on customer lifetime value as a marketing metric is for placing a much greater emphasis on relationship marketing for improving customer service and long-term customer satisfaction, rather than on maximizing short-term sales.

So then, comes the big question, how do one estimate the Customer Lifetime value? The answer is presented to you diagrammatically below, in a simplified manner.

Estimating Customers' Lifetime and Referral Values

The key to maximizing the value of your customer base is to determine how much of each customer's value stems from purchases (lifetime value) and how much from referrals (referral value). Both values are discounted cash flow calculations. A customer's lifetime value (CLV) is the present value of his contribution margin minus the present value of the cost of marketing to him and the formula is as follows:

$$CLV_i = \sum_{y=1}^{T_i} \frac{CM_{i,y}}{(1+r)^{y/frequency_i}} - \sum_{l=1}^{n} \frac{\sum_m c_{i,m,l} \star x_{i,m,l}}{(1+r)^l}$$

Where:

CLV_i = lifetime value of customer i

$CM_{i,y}$ = predicted contribution to operating margin of customer i in purchase occasion y, measured in dollars

r = discount rate for money

$c_{i,m,l}$ = unit marketing cost for customer i in channel m in year l

$x_{i,m,l}$ = number of contacts to customer i in channel m in year l

$frequency_i$ = predicted purchase frequency for customer i

n = number of years to forecast

T_i = predicted number of purchases made by customer i until the end of the planning period

The formula for calculating referral value (CRV) is

$$CRV_i = \frac{\text{Value of customers who joined because of referral}}{\text{Discount Rate}} + \frac{\text{Value of customers that would join anyway}}{\text{Discount Rate}}$$

$$CRV_i = \sum_{t=1}^{T} \sum_{y=1}^{n1} \frac{(A_{ty} - a_{ty} - M_{ty} + ACQ1_{ty})}{(1+r)^t} + \sum_{l=1}^{T} \sum_{y=n1}^{n2} \frac{(ACQ2_{ty})}{(1+r)^t}$$

Where:

T = the number of periods (years, for example) that will be predicted into the future

A_{ty} = contribution to operating margin by customer y who otherwise would not buy the product

a_{ty} = the cost of the referral for customer y

$n1$ = the number of customers who would not join without the referral

$n2 - n1$ = the number of customers who would have joined anyway

M_{ty} = the marketing costs needed to retain the referred customers

$ACQ1_{ty}$ = the savings in acquisition cost from customers who would not join without the referral

$ACQ2_{ty}$ = the savings in acquisition cost from customers who would have joined anyway

So what should be done to maximize the value from CLTV management? Let us discuss the same in this article step-wise.

1. First estimate your customer lifetime value for your entire customer base. This would enable you to make an estimate of the total revenue that the customer is likely to provide you if he/she stays with you throughout the estimated life-cycle of the product.
2. For each customer, estimate the possible churn probability at each stage and discount the CLTV value for each customer.
3. Segment the customers based on the discounted CLTV value into high net-worth individual (HNI) customers, medium net-worth individual (MNI) customers and Low net-worth individual (LNI) customers
4. Now, allocate your budget for marketing and relationship management likewise for each customer segment, to maximize the retentivity of every customer in the segment. Do remember that normally, every new customer acquisition is 5

times costlier than retaining an old customer, as had been found out through research. However, if the cost of retention of a singular customer (based on a case-to-case analysis) is more than the discounted CLTV, incentivising his churn is often a good strategy to optimize the negative effects of his network value and negative word of mouth viral effects.

5. Always try to ensure a greater deal of attention for maximizing customer satisfaction. A fully satisfied customer is likely to provide 5 times more economic value to the firm than a customer with a mid-level satisfaction level. It is also important to remember that it is better to let a customer with low satisfaction level churn rather than attempting to retain him, since such a customer has a negative return to the firm, from the customer's network (remember Customer Network Value?)

These are few of the necessary steps to ensure customer lifetime value maximization and optimal management of the same, through better resource allocation. Do let us know if you have any queries, we would be happy to resolve your problems.

Pricing of Information Technology

There are multiple approaches to pricing of information technology products and services. Although pricing strategies differ based on whether the software or system is getting sold as a product or getting leased as a service, there are certain basic generic strategies for pricing the same. These strategies are being discussed in this article.

Cost-based pricing of technology is historically the most popular method since it relies on more readily available information from the cost-accounting system. Since often, information technology post deployment is treated with Activity based costing, while developed in-house for many firms, a cost based pricing strategy becomes extremely lucrative to developers for the simplicity of development. Cost of development of a software product is often calculated based on the COCOMO model or from the COCOMO – II model.

The problems of a cost-driven pricing strategy arise from the assumptions that must be made about product costs. But then, one needs to consider the fact that unit costs are volume dependent while fixed cost per unit is allocated such that it varies with projected volume. The allocation procedures, be they direct labour hours, or some other surrogate metric, are not very precise. Therefore, product costs are not too dependable and offer technology developers lower returns on their investments.

Another pricing strategy for software products and services is based on Function Point analysis and Full Function point analysis. Function Point Analysis is one of the most popular techniques for pricing of technology. Function Point Analysis has been proven as a reliable method for measuring the size of computer software in terms of Kilo Lines of Code (and more recently, Millions of Lines of Code), based on which and its complexity of development the software is priced. Function Point Analysis has been established as being extremely robust in estimating projects, managing change of scope of implemented engagements, measuring productivity, and communicating functional requirements.
A few other pricing techniques are MIPS-based pricing, tiered pricing, user based pricing, flat pricing and usage based pricing.

In a MIPS-based pricing strategy, software prices are based on the on the theoretical throughput of the system (MIPS) on which the software is running.

In a flat pricing contract, customers pay a fixed price for unlimited use of the software product. This approach enables customers to more easily predict what they will pay for the use of the software. In a tiered pricing strategy, vendors attempt to package software benefits according to user requirements and their willingness to pay. This approach to pricing is an attempt to link software product costs to perceived customer value.

In an user based pricing strategy, the customer is charged based on the number of users that utilize a collection of software features over a given period of time by assigning costs to a particular number of users or workstations and sum up individual cost allocation.

In an usage based pricing strategy, customers is charged by the vendor firm only for what they actually use on a transaction basis, during a contract period, say in months, but more popularly for larger IT firms and engagements, in years.

Today another popular pricing technique is based on the economic value that a client firm may get from a technology product or service level agreement. Such a pricing strategy is called value based pricing. This is slowly becoming the most popular pricing strategies followed in research labs for emergent technologies, like that of IBM Research, Microsoft Research and SAP labs.

Taxonomy of Value-Based Pricing Strategies. Adapted from Tellis [66]

Customer Characteristic	Pricing Objective	Penetration Pricing	Skim Pricing	Hybrid Pricing (Shared Characteristics)
High Search Costs	Segment Differential Pricing		Price Signaling	Random discounting
	Competitive Pricing		Reference pricing	
	Product-Line Pricing		Image-prestige pricing	Premium pricing—higher priced product
Low Reservation Price	Segment Differential Pricing			Periodic discounting
	Competitive Pricing	Low-price leader Experience curve		
	Product-Line Pricing	Bundling		Complementary pricing—base product Premium pricing—lower priced comparator
Special Transaction Costs	Segment Differential Pricing			Second market discounting
	Competitive Pricing			Cost-plus pricing
	Product-Line Pricing			Complementary pricing—consumed product

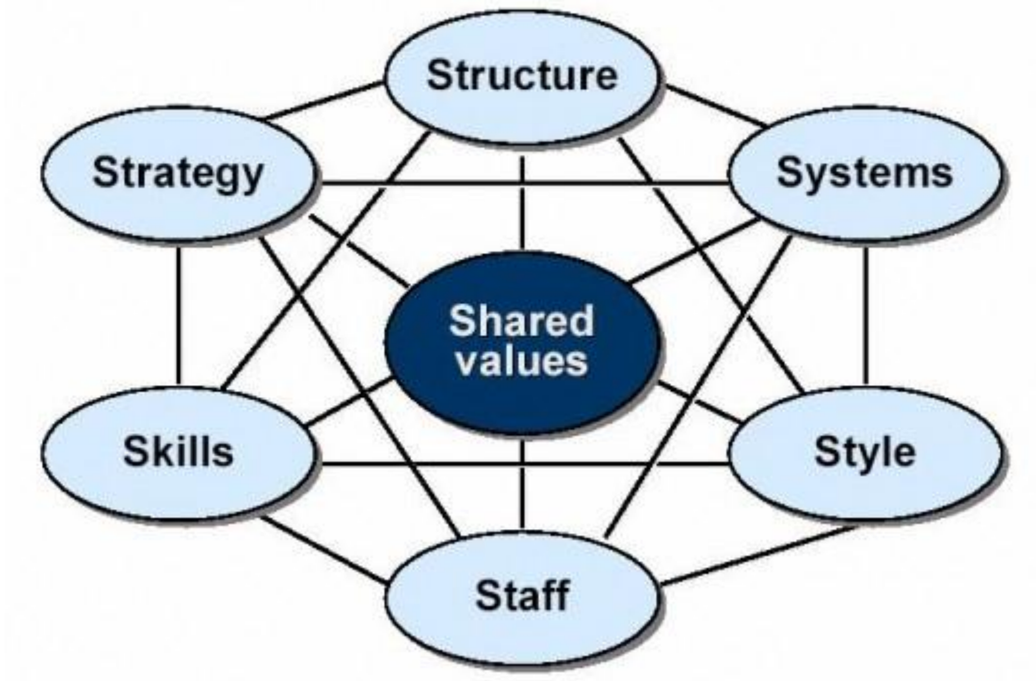
However, which pricing strategy to deploy and at what stage is entirely dependent on multiple factors like whether it is a service level agreement or not, whether it is a product or not, whether it is being licensed as a technology platform to another implementer or not, which stage of the product life cycle is it into, what is its competitive scenario, what is the industry structure of the product or the nature of the industry where it will get implemented (say automobile vs telecom), is it entering a new market or an established one, etc etc.

The 7S for Digital Marketing

Digital Marketing is basically promotion of brands using all available forms of digital advertising media to reach the target segment. In current marketing media, the popular media includes Radio, mobile, Internet, Television, social media marketing and other less popular forms of digital media like Digital Signage, Digital bill boards, etc. Typically theories on internet marketing are quite contrastting to the popular theories of marketing in BaU marketing.

Check out our article on **[Digital Marketing – Theories, Strategies and Frameworks]**

One of the popular approaches for marketing in the digital era is the 7 S approach. The 7 S approach has been developed by McKinsey and is one of the robust approaches for systematically planning a digital marketing blueprint. **The 7 S for Digital Marketing** typically is the way resources for a digital marketing strategy is systematically utilized.



- **Strategy**: Does the strategy fit with the vision and mission of your organization? In short, does the strategy gets aligned with the very reason for the firm to exist in the first place? This important for the alignment of strategic intent with actionable ploys.
- **Shared values**: Does the strategy go hand in hand with the shared values of not only your target customer segment but also of that of the implementers? This critically examines the shared value (or often called the DNA of an organizations) and maps its alignment with the targeted blueprint.
- **Structure**: Does your organizational structure support adaptations to changes in environment in response to your campaign? This typically addresses the organizational design which will allow the conversion of actionable strategic intent into actionable strategic proactive or reactitive implementation.
- **Skill**: Do you have the suitable skilled workforce to carry out the campaign successfully? This systematically addresses the access to vital in-house or systematically acquired human resouces which post deployment would create

competitive advantage by converting people resource into output specific units of consumable items.

- **Staff**: Are your staff equipped to deliver your strategy (location wise, access to technical resources)? This becomes important in the era of geographic dispersion among teams where virtual workforces often drive the implementation of a firm's business strategy. Ubiquity is a critical dimension of the success factors of such an approach.
- **Style**: Does the campaign thematically fit with the style of your other campaigns? This again is an input that looks into alignment of ploys with the long term strategy of the firm. The critical dimension that is evaluated is the alignment of micro-steps in a process blueprint with the larger well defined scope of such a blue print.
- **Systems**: Do you have systems in place to carry out the campaign? Is there technical support for your advertising campaigns and marketing plans? This again looks into the mapping of technology, process and people that can help a firm successfully exploit the power of the integrated digital web. It in an internal analysis of the process centric view of the firm.

Hope this clears up the 7S of Digital Marketing. Hope this helps your company to chalk out a successful digital marketing program. Do let us know what you think of the article, with your valuable comments.

Have you read our article on the 4 P's on Social Marketing? Also did you read our article on the The 4 P's of Marketing – The Marketing Mix strategies? Do let us know what you think about the integration of these theories.

The 4 P's of Marketing – The Marketing Mix strategies

The term "marketing mix" was coined in the early 1950s by Neil Borden in his American Marketing Associationpresidential address. This is one of the preliminary knowledge every marketer must have and is considered to be the basics of every marketing theory, which emerged henceforth. *Many business degree programs such asdevry online degrees include this within their curriculum.*

The **basic** major marketing management decisions can be classified in one of the following four categories, **Product**, **Price**, **Place** (distribution) and **Promotion**.

Product: It is the tangible object or an intangible service that is getting marketed through the program. Tangible products may be items like consumer goods (Toothpaste, Soaps, Shampoos) or consumer durables (Watches, IPods). Intangible products are service based like the tourism industry and information technology based services or codes-based products like cellphone load and credits. Product design which leads to the product attributes is the most important factor. However packaging also needs to be taken into consideration while deciding this factor. Every product is subject to a life-cycle including a growth phase followed by an eventual period of decline as the product approaches market saturation. To retain its competitiveness in the market, continuous product extensions though innovation and thus differentiation is required and is one of the strategies to differentiate a product from its competitors.

Price: The price is the simply amount a customer pays for the product. If the price outweigh the perceived benefits for an individual, the perceived value of the offering will be low and it will be unlikely to be adopted, but if the benefits are perceived as greater than their costs, chances of trial and adoption of the product is much greater.

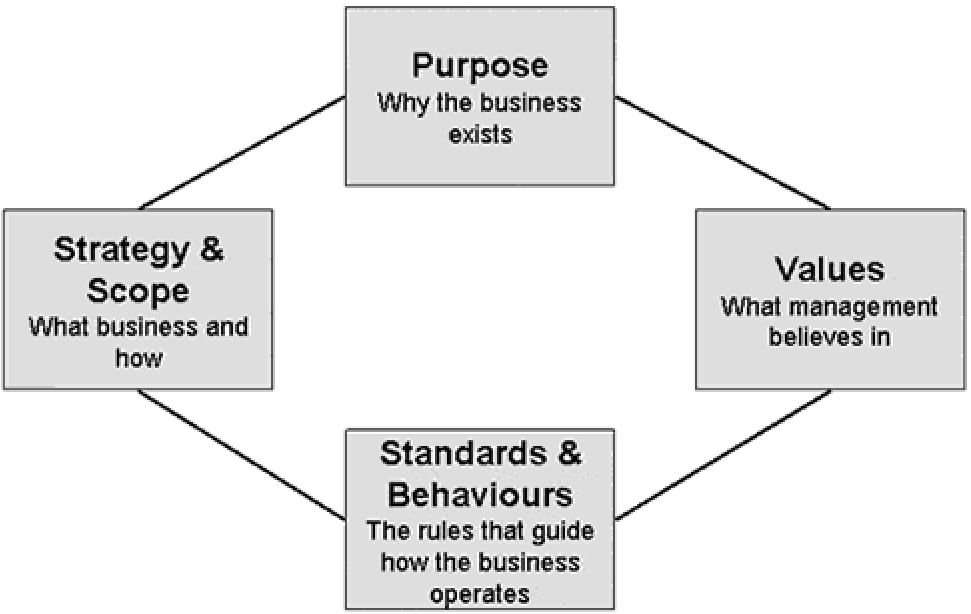
Place: Place represents the location where a product can be purchased. It is often referred to as the distribution channel. This may include any physical store (supermarket, departmental stores) as well as virtual stores (e-markets and e-malls) on the Internet. This is crucial as this provides the place utility to the consumer, which often becomes a deciding factor for the purchase of many products across multiple product categories.

Promotion: This represents all of the communications that a marketer may use in the marketplace to increase awareness about the product and its benefits to the target segment. Promotion has four distinct elements: advertising, public relations, personal selling and sales promotion. A certain amount of crossover occurs when promotion uses the four principal elements together (e.g in film promotion). Sales staff often play a major role in promotion of a product.

So how does a marketer strategize to attain success in a marketing program, using these 4 P’s?

Advertising and Marketing Programs for Small and Medium Business

Small and medium sized enterprises typically have very different requirements and capabilities to engage their target audience through Advertising and Marketing programs. Typically, most of these firms are limited by a heavy constraint in budget and cannot rollout the kind of marketing campaigns as MNCs do. Immediate returns on investment becomes crucial in considering not only the success of the advertising and marketing programs, but also a question of survival for small and medium businesses.



Here are few things your business may benefit from while planning on such a program. Give some thought to them.

1. Have you selected your target audience? What is your estimated penetration (both maximum and minimum) of the total size of the target consumer segment? What is their estimated consumption pattern. What scope is there in repeated consumption and at what rate?
2. Have you decided the marketing mix for your program? If not, you should read our article on the The 4 P's of Marketing – The Marketing Mix strategies as a starter. If you are providing a service, do go through this article on services marketing.
3. How do you differentiate with your advertising from that of your competitors? What incremental value do you provide to your customer segment? What is the

comparative pricing scenario with your competitors and substitute products/services?

4. Have you done any market research to find out the gaps in the needs of the target segment? Have you designed your product based on the needs of the target segment? A market research is a good risk mitigation strategy, and in very helpful, especially for small businesses, and needs to be done in house.
5. Have you decided the budget and target returns on that expenditure on the marketing program? Is the estimated expenditure clearly demarked under multiple over heads? Do the estimated returns stand in accordance to your estimated penetration level post program implementation (point 1).
6. Have you chosen the mediums such that there is a connect between the targeted segment while they are using the medium? Using a medium like Facebook while you are promoting an online dating website may work wonders, but if you use the same for a B2B (industrial) product or even a B2C product like local food joints/products, the same will not work.
7. Have you thought of the implementation plans such that the intent to purchase may be converted to actual purchases? Many websites showcase items which the consumer gets interested about, but ultimately sale conversion doesn't happen since the payment/check out options are not easily available on the website.
8. What kind of strategy do you want to use? Would you prefer a PUSH strategy rather than a PULL strategy? Is your strategy sustainable and scalable in the long run, if you have similar plans. A PUSH strategy by increasing incentives at the point of sales (maybe at the shops/retail outlets) may work best if the target segment is local or the consumption point is locality specific. Expenditures on branding may not be necessary in that case since brand loyalty does not have incremental benefits.
9. Is your strategy imitable? Can your competitors do what you are doing, better, and beat you at your game? Are you utilizing any capability/resource which is essentially core to your business and which your competitors may not have access to? Have you thought of customer retention services post sales?
10. Last but not the least, is your marketing strategy in sync with the social and legal framework within which your business is expected to function. Have you checked out the legal requirements.

We hope that these simple guidelines help you to develop a great successful marketing and advertising program for your business. Do write to us if you want any suggestions.

Digital Marketing – Theories, Strategies and Frameworks

Digital Marketing is basically promotion of brands using all forms of digital advertising mediums to reach the target segment. This now includes Radio, mobile, Internet, Television, social media marketing and other less popular forms of digital media.

While the talk of the day is internet marketing, the latter is only a subset of digital marketing. While digital marketing does involve many of the strategies involved in Internet Marketing, it extends beyond this by including other channels with which to reach people that do not require the use of the Internet. As a result of this decreased reliance on the web based media, the field of digital marketing expands to include media such as cellular media(sms/mms/phone calls), digital signage (digital banner ads and digital outdoor signboards), and other media like television and radio, it is thus a much more comprehensive methodology to reach out and engage your target audience, and with a higher conversion rate for most product categories.

Previously seen as a stand-alone marketing strategy because of its extension on mediums which it covers, it is currently visualized more as a marketing effort that covers most, if not all, of the more traditional marketing areas such as direct marketing by providing the same method of communicating with an audience but in a manner using the development of science and technology and thus optimizing resources. The spectrum of digital marketing is now being expanded to support the "servicing" and "engagement" of customers, and thus cover not only customer acquisition but also customer retention.

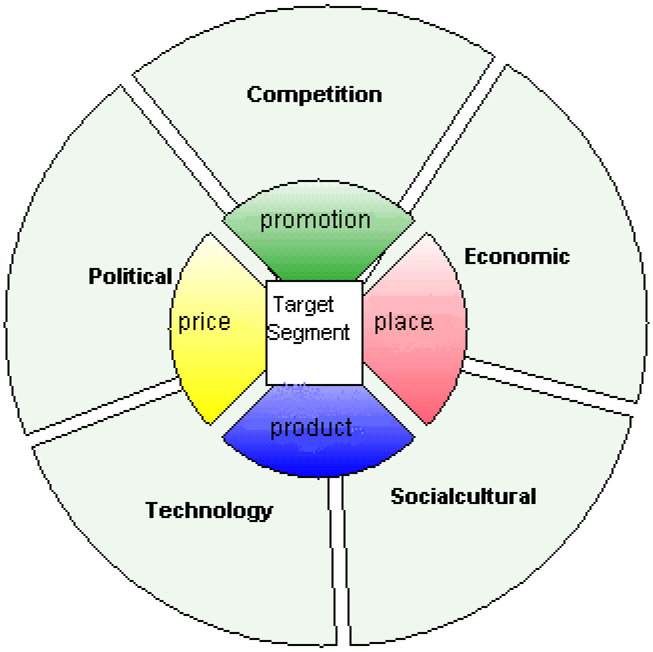
So how should firms go about planning their marketing strategies for a successful digital marketing program? While there is no such common strategy which fits the requirement of all firms like a glove, there are few generic strategic and economic issues that firms need to keep in mind while designing their marketing program.

Marketing Mix – The 4 P's of Social Marketing

Social marketing was "born" as a discipline in the 1970s, with the increasing need to "sell" ideas, attitudes and behaviors, a paradigmatic shift from the need to market products only. Kotler and Andreasen define social marketing as "differing from other areas of marketing only with respect to the objectives of the marketer and his or her organization. The focus is on creating and sustaining demand for the product and service by market modification or even creation.

Social marketing seeks to influence social behaviors not to benefit the marketer, but to benefit the target audience and the general society, so as to create and/or modify the entire target market structure partially or entirely. This technique has been used extensively in international health or social awareness programs, especially for contraceptives, oral rehydration therapy (ORT) and AIDS. Today it is being used with more frequency for raising awareness in diverse topics as drug abuse, socio-psychological disorders, potentially life threatening sexually transmitted diseases and organ donation.

The 4 Ps of Marketing or better known as the Marketing Mix are as follows:



Product

The social marketing "product" is not necessarily a physical offering. The products can range from intangible to actual physical products, so services (nursing, human rights violation), practices (AIDS awareness or breastfeeding) and finally, more intangible ideas (e.g., environmental protection). Since to have a viable "product", the target segment must first perceive a genuine problem or a need, and that the product or service being marketed is a good solution for that problem. The role of research here is to discover the consumers' perceptions of the problem and the product, and to determine which are the more important perceived factors regarding the same.

Price

"Price" refers to what the consumer must do or pay (in terms of financial, physical effort time or any other resource) in order to obtain the social marketing product or service. This cost may be financial (Dollars/Pounds), or it may instead require the consumer to give up intangible sources of value, such as time, effort, or to risk embarrassment and social ostracism. Just like product marketing, if the costs outweigh the benefits for an individual, the perceived value of the offering will be low and it will be unlikely to be adopted, but if the benefits are perceived as greater than their costs, chances of trial and adoption of the product is much greater.

Place

"Place" describes the methodology the product or service reaches the target segment. Think about where and when the audience will perform the behavior or access the new or adapted product/service. How can you make it convenient and pleasant so as to increase chances of adoption? Also think about training your sales team – the people that will take your program to the audience. By training the team on the details of the activities and habits of the target segment, as well as their experience and dissatisfaction with the existing delivery system, better adoption may be achieved.

Promotion

Use of extensive market research is necessary to determine the communication channels that will best reach your audience for easy adoption of the products or services. It becomes crucial to understand which advertising or public relations media would play a greater role (e.g., radio, newspaper, postcard racks) sincethat WILL VARY depending on the product/service and also on the target segment.

Few other marketing mix (**The 8 P's of Marketing**)

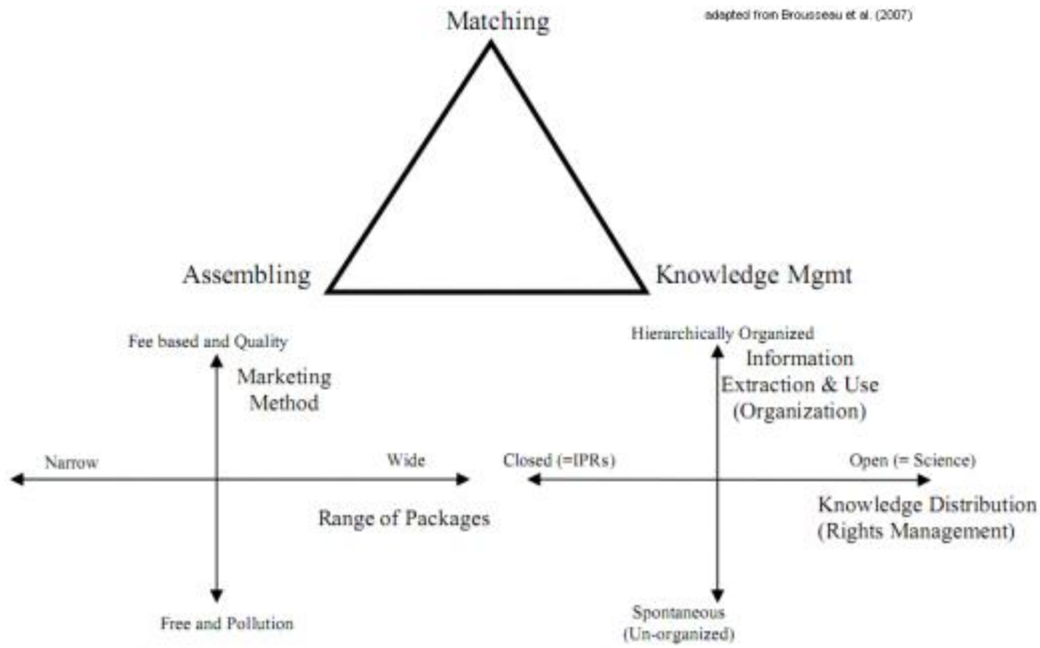
There are four other P's which along with the previously mentioned 4 P's are often necessary considerations while marketing of ideas and lifestyle.

Public: Marketers would have different audiences that their program has to address in order to accelerate adoption of the products and ideas. "Public" could be both the external and internal groups. External groups would include the target audience, policymakers, and gatekeepers, while the internal groups would comprise of the sale team trained for the implementation of the program.

Partnership: Lifestyle and Social issues are often so ingrained into the consumer that change becomes a real challenge. Teaming up with organizations in the community helps to be effective. Organizations with similar goals to your campaign, not necessarily the same goals, need to be identified and collaborated with.*Co-creation of market even with a competitor is sometimes necessary.*

Policy: Social marketing campaigns could do well in stimulating individual behavior change, but for sustainability, environmental change is necessary. Thus policy changes from the government is often important and so is pitching your product and/or service to the policy makers crucial for the sustainability of your campaign.

Purse: Most social marketing campaigns operate through funds provided by sources such as NGOs, foundations, governmental grants, private donations and CSR funds. This adds another dimension to the strategy development and sustainability of campaigns, namely, planning the funding process well in advance in different stages of the program.



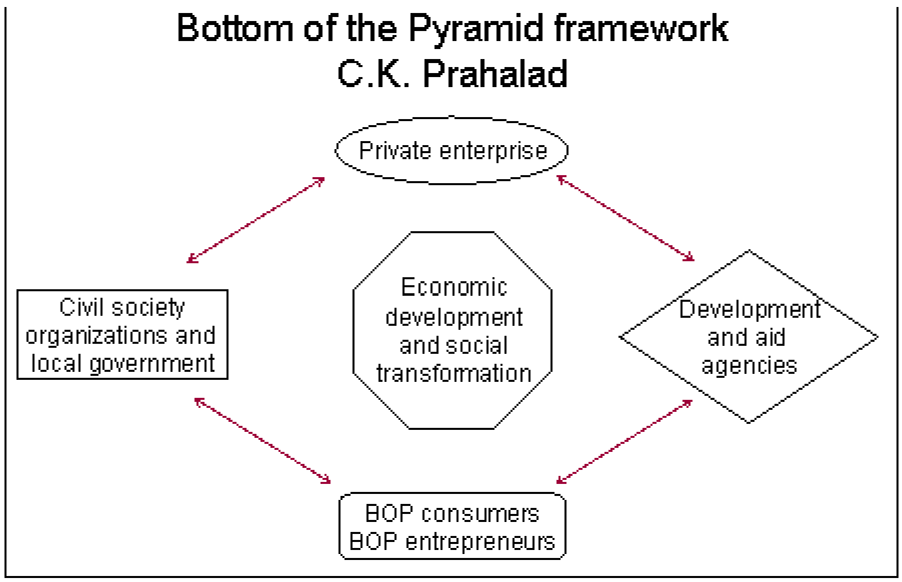
The first grid has three elements of your proposed strategy. Does your strategy match with the vision and mission of your firm? Does the strategy assembling platform match with the knowledge that is within your marketing team? Is that knowledge formally managed using any platform? Then comes the question of how you are delivering the value transfer from the production of value, to the assembly of value to the end value consumption in a value chain. Is your firm geared to take charge of such a business model?

As in the second half of the architecture, the business model dimensions need to be evaluated based on the digital marketing capabilities. Most important dimension for serious consideration is whether your organization structure is geared to handle the marketing methodologies you are planning to implement. The dynamics of knowledge distribution also needs to be looked into based on this framework.

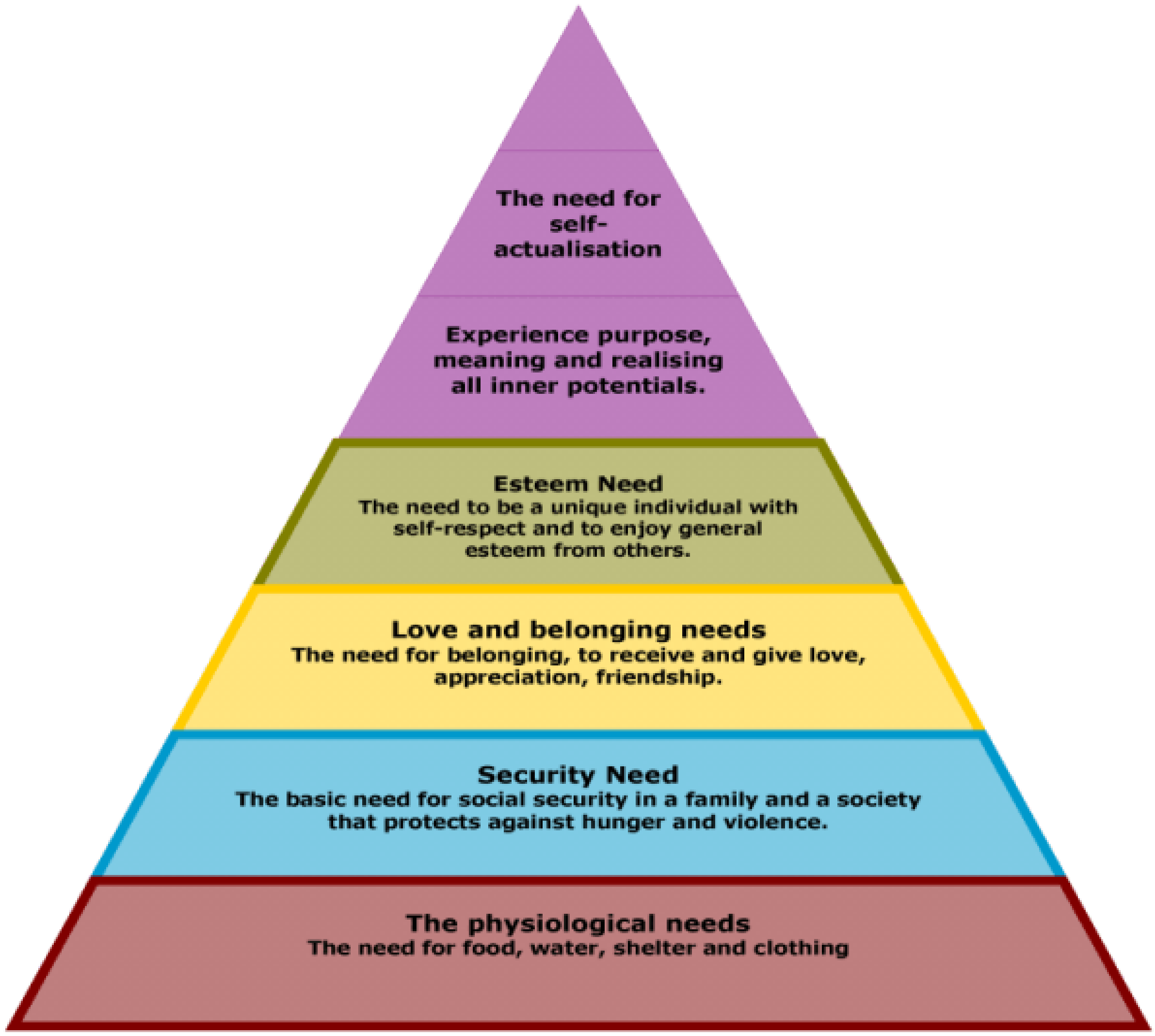
Hope this helps your company to chalk out a successful digital marketing program. Do let us know what you think of the article, with your valuable comments.

Fortune at the Bottom of the Pyramid – Marketing Strategies

Economically speaking, the “Bottom of the Pyramid” is the largest and also the poorest socio-economic class of people across economies. This consumer segment consists of 2.5 billion people who live on less than 2.50 dollar per day. The phrase “bottom of the pyramid” is used in particular by people developing new models of doing business that deliberately target that demographic, often using new technology. This segment of consumers have also been referred to as the “Base of the Pyramid” or more commonly the “BoP”. This consumer segment has drawn the attention of the biggest marketing firms due to the sheer earning potentials from volumes of sales with low margins.



The consumers at the bottom of the pyramid have a very distinct buying behavior as opposed to the other consumers. While the rest of the consumer segment derive value from products through 3 sources, namely attribute based satisfaction, consequence based satisfaction and finally, goal based satisfaction, it is our belief that the consumers at the BoP derive value / satisfaction mostly from the innermost ring or the first level/source of satisfaction. Because of their spending ability, this class of consumers tend to be very conscious about the core benefits obtained from the purchase of any product or services.The probability is high for success of products which fulfill the attributes of the lower bases of the consumer need model provided below.



While every the most profitable consumer segment in current economic times is the youth within the age gap of 20 – 30, commonly called the twentysumthing, the sheer volume of possible purchases in this consumer segment has become a focus for marketers. While every product offers benefits to its consumers not only from its core attributes, but also from its fringe attributes (benefits from outer levels), this class predominantly derives maximum satisfaction from the core attributes of products only. Product extensions and ego-based attributes have little impact on the consumption and buying behavior of this consumer segment, who would in fact, perceive the extra benefits as being something, they are having to shell out quite a bit extra, even if the marketing firm does not charge for them. While "extras" in the product marketing mix may consist of other value adding product extensions, care needs to be taken while deciding on the basket of goods for such consumers. Thus the probability is high for success of products which fulfill the attributes of the lower bases of the consumer need model provided below, namely which fulfill the physiological need and the security needs the most.

Pricing strategies also play a major role for the success of marketing strategies in such a consumer segment. While place and promotion offer very meager sources of value or utility, a low pricing of products is often a mantra for easy acceptance on a new product introduction. Price premiums are not easily tolerable in this highly sensitive value-sensitive consumer segment. Thus it has been seen that companies rage low-price war to capture the market of this segment, and many success stories which have been glorified are that of Nirma cake soap, Tata Namak, and other brands which churned billions of dollar by targeting this segment.

The art of need recognition for product conceptualization

Need can either be recognized or generated. Most utility-based products like refrigerators, washing-machines, cars, etc. were introduced to the market because the manufacturers felt that there was a need for such products in the market. Refrigeration, cleaning and transport were far inferior before these products were launched, and post-introduction, they were easily accepted by the society.

On the other hand most fashion accessories, colas, computer games, etc. originated no such popular need; rather such products were able to create a need for them in the market, which did not exist before. These products did not originate from any popular need because suitable substitutes were already in place. For example, fashionable clothing did not add any utility to existing clothing; beverages could easily substitute colas and there were sufficient number of indoor games which could substitute computer games. What these new products did was give new dimensions to existing products which did not exist before. When these offering were perceived superior to existing ones these new products flourished while in other cases they failed.In any case a detailed market analysis is a must before even starting the production of a new product. In the first step when we do not know what product to actually launch we have to first identify different populations and do a market structure analysis to understand the requirements of various groups of people.

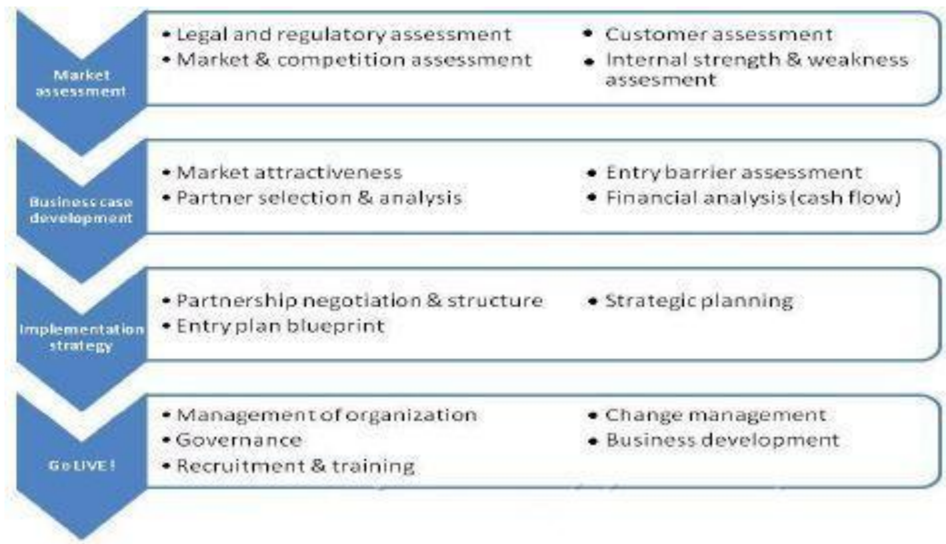
Market structure analysis or segmentation seeks to identify and profile subgroups of a given population.Cluster analysis and perceptual mapping are 2 such useful tools for market structure analysis.

- **Cluster Analysis**: Cluster analysis is a set of techniques for separating objects into mutually exclusive groups such that the groups are relatively homogeneous. To explain in simple words, the analyst has to decide how many unique clusters it wants to divide a target population into. The respondents from a market research are then divided into these clusters as per one of their responses. Then an iterative process follows by virtue of which the average answer of a respondent over the set of attributes being investigated by the market research, determines his/her cluster. This iterative process continues until a respondent cannot be reclassified any further.
- **Perceptual Mapping**: It is an insightful and innovative process to estimate the target population's expected perception of a product or service when it will be launched, or its perception of an existing brand or product/service offering. Most commonly it is a 2D map displaying the strength of association of a product/service with certain attributes, and also in respect to other products/services or competitors.

A winning framework for market entry strategies

A market entry strategy is the planned method of delivering goods or services to a new target market and distributing them there. When importing or exporting services, it refers to establishing and managing contracts in a foreign country. Few companies successfully operate in a niche market without ever expanding into new markets but most businesses achieve increased sales, brand awareness and business stability by entering a new market. Developing a win-win market entry strategy involves a thorough analysis of multiple factors, in a planned sequential manner.

When an organization makes a decision to enter an new market, there are various issues that needs to be thought out. These options vary with cost, risk and the degree of control which can be exercised over them. The simplest form of entry strategy is often exporting, using a direct (agent) or indirect method (counter trade). More complex forms include truly global operations which may involve joint ventures, or export processing zones.



An organization wishing to enter a new market faces **3 major issues**:

1. **Marketing** - which markets, which segments, how to manage and implement marketing effort, how to enter – with intermediaries or directly, with what information?
2. **Sourcing** - whether to obtain products, make or buy?
3. **Investment and control** – joint venture, global partner, acquisition?

Firms can follow the mentioned steps in sequence to create that successful blend of strategies while entering a new market.

Planning these few steps in details would ensure that firms face less risk while entering a new market during expansion. Although there is no absolute success mantra to enter a new market, these activities would significantly lower the risk exposure of the firm and create a winning scenario.