MARKETING MANAGEMENT (6 SEM)

(MECH + CIVIL)

MODULE- I

SHORT QUESTIONS: Each carries two marks.

1. Define marketing as exchange process.
2. Explain micro and macro marketing environment with examples
3. Enumerate two major factors contributing to market competition
4. What do you mean by marketing planning process
5. Enumerate the sequential steps of an effective market research
6. What do you mean by marketing myopia
7. What is marketing mix
8. Define competitive advantage
9. What do you mean by data mining
10. Explain production concept
11. What is broad and task environment
12. Difference between selling & marketing

LONG QUESTIONS:

1.

(a) Define Marketing? Explain the Marketing Management Process briefly. [5]

(b) How could a firm understand its marketing environment? [5]

2.

(a) Explain the prime factors for identifying market competition? [5].

(b) Explain "Porters five forces model" with references to a FMCG product? [5]

3.

(a) What is Market Research? Explain the research process in sequence. [5]

(b) What is consumer Behaviour? Explain Consumer Decision-making Process. [5]

4. Define Marketing Information System (MIS)? What are its elements? Discuss MIS as an integral model by identifying the inter-relationship among its elements. [10]

5.

(a) Examine the reference group influences as the consumer? [5]

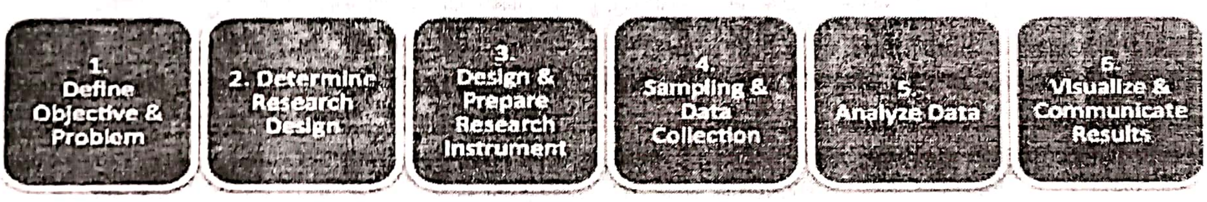
(b) Buyer decisions are strongly influenced by variables like cultural and social factors and personal factors. Discuss [5]

SHORT ANSWERS:

1. The exchange process is the process by which two or more parties give something of value to each other to satisfy the perceived needs. The marketer (a company like Procter and Gamble) offers goods and services desired by the market (the pool of potential customers). In return, the market (the customer) gives back something of value to the marketer, generally money. Both ends receive something of value in the exchange process. The marketer makes money and the customer receives goods, services, or ideas that satisfy their needs. The exchange process is the origin of marketing. The process creates utility.
2. The micro environment is made up of factors that are close to the firm and affect it on a 'day to day' basis; usually these factors interract with the firm or are involved in the same industry. Micro environment examples include customers, banks and trade unions as they all interract with the firm. The macro environment is made up of factors that affect the firm on a long term basis. In general macro environment factors are not close to the firm. Micro environment factors could be national or global measures and affect many industries and groups. Macro environment examples include legislation, the economy (e.g. recession, inflation, VAT changes), and technological change such as the internet.
3. Two major factors contributing to market competition are:
    - Price: Best price for each sale and Predicting Market Trends
    - Profit Margin: Flexibilty and re-investment
4. "Marketing Planning is the process of developing marketing plan incorporating overall marketing objectives, strategies, and programs of actions designed to achieve these objectives."

    Marketing Planning involves setting objectives and targets, and communicating these targets to people responsible to achieve them. It also involves careful examination of all strategic issues, including the business environment, the market itself, the corporate mission statement, competitors, and organisational capabilities.

5. The **market research process** is a systematic methodology for informing business decisions. The figure below breaks the process down into six steps:



6. A short-sighted and inward looking approach to marketing that focuses on the needs of the company instead of defining the company and its products in terms of the customers' needs and wants. It results in the failure to see and adjust to the rapid changes in their markets.

7. The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

8. Competitive advantages give a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.
There are two main types of competitive advantages: comparative advantage and differential advantage.

9. A process used by companies to turn raw data into useful information. By using software to look for patterns in large batches of data, businesses can learn more about their customers and develop more effective marketing strategies as well as increase sales and decrease costs. Data mining depends on effective data collection and warehousing as well as computer processing.

10. Production concept is the oldest of the concepts in business. It holds that consumers will prefer products that are widely available and inexpensive. Managers focusing on this concept concentrate on achieving high production efficiency, low costs, and mass distribution. They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features.

11. The Broad environment includes larger forces which effect the entire task environment. It consists of six components.

- Demographic environment
- Economic environment
- Natural environment
- Technological environment
- Political & Legal environment
- Social and cultural environment

Task environment includes the immediate actors involved in producing, distributing, and promoting the offer. The main actors are the company, suppliers, distributers, dealers, and the target customers.

12. Difference Between Selling & Marketing

Selling	**Marketing**
Emphasis is on the product	Emphasis on consumer needs wants
Company Manufactures the product first	Company first determines customers needs and wants and then decides out how to deliver a product to satisfy these wants
Management is sales volume oriented	Management is profit oriented
Planning is short-run-oriented in terms of today's products and markets	Planning is long-run-oriented in today's products and terms of new products, tomorrow's markets and future growth
Views business as a good producing process	Views business as consumer producing process sat¬isfying process

LONG ANSWERS:

1.

a. Marketing as defined as "the total of activities involved in the transfer of goods from the producer or seller to the consumer or buyer, including advertising, shipping, storing, and selling."

Marketing seeks to satisfy the needs of people (customers or the market) (creating a sense of usefulness or utility) through the exchange process. Marketing refers to channeling the gap between service and product providers to service and product seekers.also known as a way of satisfying needs.

The Marketing Management Process consists of:

- analyzing market opportunities,
- selecting target markets,
- designing marketing strategies,
- planning marketing programs,
- organizing, implementing and controlling the marketing effort.

1. *Analyzing marketing opportunities*
    - Defining the market
    - Consumer assessment
    - Environmental assessment
    - Company resource assessment
    - Demand analysis and sales forecast
2. *Identifying Market Segments and Selecting Target Markets*
    - Marketers set priorities for business opportunities, concentrating on market segments within which they expect to achieve the best overall economic return from their product or service. Market segmentation and target marketing are the processes used to isolate these opportunities. Market segmentation is the process of grouping customers based on their similarities
    - Market segmentation allows a company to:
        - Understand the different behavioral patterns and decision-making processes of different group of consumers
        - Select the most attractive segments or customers the company should target
        - Develop a strategy to target the selected segments based on their behavior
3. *Developing marketing strategies*
    - Positioning
    - Develop new product, test and launch
    - Modification in the stages of product life cycle
    - Strategy choice depends on the strategy pursued by the firm
    - Consider changing global opportunities and challenges
4. *Planning marketing programs*
    - Transforming strategy into programs
    - Managing Product Lines, Brands, and Packaging
    - Managing Service Businesses and Ancillary Services
    - Designing Pricing Strategies and Programs
    - Selecting and Managing Marketing Channels
    - Managing Retailing, Wholesaling, and Physical-Distribution Systems
    - Designing Communication and Promotion Mix Strategies
    - Designing Effective Advertising Programs
    - Designing Direct-Marketing, Sales-Promotion, and Public-Relations Programs
    - Managing the Sales force
5. *Managing marketing efforts*

- Organizing resources
- Implementation
- Control - Annual control, Profitability control, Strategic control

b. Introduction

Firms need to understand their marketing environment so that they can make the most of positive factors and manage the impact of negative factors. A firm's marketing environment can be spilt into three parts: internal environment, macro environment and micro environment.

Internal Environment

The internal environment is made up of factors within the firm itself. Examples include employees, company policy, capital assets, the firm's structure and the firm's products (materials). These factors can be controlled by the firm.

Micro Environment

The micro environment is made up of factors that are close to the firm and affect it on a 'day to day' basis; usually these factors interract with the firm or are involved in the same industry. Micro environment examples include customers, banks and trade unions as they all interract with the firm. Competitors are also part of the micro environment because they are selling competing products, their activity could have a direct impact on the firm's daily business. Some of the factors within the micro environment can be controlled whilst other's can not. For more information about the micro environment and how to analyse a firm's micro environment through a stakeholder analysis, click here.

Macro Environment

The macro environment is made up of factors that affect the firm on a long term basis. In general macro environment factors are not close to the firm. Micro environment factors could be national or global measures and affect many industries and groups. Macro environment examples include legislation, the economy (e.g. recession, inflation, VAT changes), and technological change such as the internet. Macro environment factors are uncontrollabe factors but still influence company strategy. For more information about the macro environment including how to analyse a firm's macro environment through a PEST Analysis, click here.

Conclusion

One factor can be part of a firm's micro environment and macro environment. The media can be used to illustrate this:

- A one off media story about the firm may affect daily operations and will therefore be part of the firm's micro environment;

- Whilst a general desire to avoid a negative media story may influence a firm's long term business operations and therefore make up the firm's macro environment.

Firms should not concern themselves too much about which of the three categories a factor fits into. Instead firms should ensure that they have correctly identified all of the factors which make up their marketing environment and plan how to manage them for the firm's benefit.

3.

a. The **market research process** is a systematic methodology for informing business decisions. The figure below breaks the process down into six steps:

The Market Research Process

Step 1. Define the Objective & Problem: -Perhaps the most important step in the market research process is defining the goals of the project. At the core of this is understanding the root question that needs to be informed by market research. There is typically a key business problem (or opportunity) that needs to be acted upon, but there is a lack of information to make that decision comfortably; the job of a market researcher is to inform that decision with solid data. Examples of "business problems" might be "How should we price this new widget?" or "Which features should we prioritize?"

Step 2. Determine the "Research Design":- Think of the "research design" as your detailed plan of attack. In this step you will first determine your market research method (will it be a survey, focus group, etc.?). One will also think through specifics about will identify and choose your sample (who are we going after? where will find them? how will we incentivize them?, etc.). This is also the time to plan where will conduct your research (telephone, in-person, mail, internet, etc.). Once again, remember to keep the end goal in mind–what will a final report look like? Based on that, one will be able to identify the types of data analysis you'll be conducting (simple summaries, advanced regression analysis, etc.), which dictates the structure of questions you'll be asking.

There are three classifications to consider:

Exploratory Research – This form of research is used when the topic is not well defined or understood, your hypothesis is not well defined, and your knowledge of a topic is vague.

Descriptive Research –The goal of this form of market research is to measure specific topics of interest, usually in a quantitative way. Surveys are the most common research instrument for descriptive research.

Causal Research – The most specific type of research is causal research, which usually comes in the form of a field test or experiment.

Step 3. Design & Prepare the "Research Instrument" :- In this step of the market research process, it's time to design the research tool. If a survey is the most appropriate tool will begin by writing your questions and designing your questionnaire. If a focus group is your instrument of choice, will start preparing questions and materials for the moderator.

Step 4. Collect Your Data:-This is the meat and potatoes of the project; the time when one will administering the survey, running the focus groups, conducting interviews, implementing field test, etc. The answers, choices, and observations are all being collected and recorded, usually in spreadsheet form. Each nugget of information is precious and will be part of the masterful conclusions you will soon draw.

Step 5. Analyze Your Data:- Step 4 (data collection) has drawn to a close and you have heaps of raw data sitting in your lap. If it's on scraps of paper, you'll probably need to get it in spreadsheet form for further analysis. If it's already in spreadsheet form, it's time to make sure you've got it structured properly. Once that's all done, the fun begins. Run summaries with the tools provided in your software package (typically Excel, SPSS, Minitab, etc.), build tables and graphs, segment your results by groups that make sense (i.e. age, gender, etc.), and look for the major trends in your data. Start to formulate the story you will tell.

Step 6. Visualize the Data and Communicate Results:- Now is the time to compile the most meaningful take-aways into a digestible report or presentation. A great way to present the data is to start with the research objectives and business problem that were identified in step 1. Restate those business questions, and then present your recommendations based on the data, to address those issues.

b. Consumer behaviour is the complex and dynamic processes of deciding what product to buy, when to buy, how to buy, from where to buy, how to secure, how to use, or how to dispose to satisfy individuals, groups, or organisations' needs.

According to American Marketing Association, consumer behaviour can be defined as "the dynamic interaction of affect and cognition, behaviour, and environmental events by which human beings conduct the exchange aspects of their lives."

The purchase decision process is the stages a buyer passes through in making choices about which products and services to buy. :

1. problem recognition,
2. information search,
3. alternative evaluation,
4. purchase decision, and
5. post-purchase behavior.

Problem Recognition: Perceiving a difference between a person's ideal and actual situations big enough to trigger a decision. Can be as simple as noticing an empty milk carton or it can be activated by marketing efforts.

information search: The information search stage clarifies the options open to the consumer and may involve two sources of information search as such Primary Sources and Secondary Sources.

alternative evaluation: The information search clarifies the problem for the consumer by (1) Suggesting criteria to use for the purchase. (2) Yielding brand names that might meet the criteria. (3) Developing consumer value perception.

purchase decision: Here there are three possibilities as such From whom to buy , When to Buy and Do not Buy. These possibilities depends on such considerations

- Terms of sale
- Past experience buying from the seller
- Return policy.

  And which can be influenced by
  - store atmosphere
  - time pressure
  - a sale
  - pleasantness of the shopping experience.

post-purchase behaviour: After buying a product, the consumer compares it with expectations and is either satisfied or dissatisfied. Satisfaction or dissatisfaction affects

- consumer value perceptions
- consumer communications, and
- repeat-purchase behavior.

4. A marketing information system (MIS) is a set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis. An information system can be used operationally, managerially, and strategically for several aspects of marketing. A marketing information system can be used operationally, managerially, and strategically for several aspects of marketing.

Marketing Information should not be approached in an infrequent manner. If research is done this way, a firm could face these risks:

1. Opportunities may be missed.
2. There may be a lack of awareness of environmental changes and competitors' actions.
3. Data collection may be difficult to analyze over several time periods.
4. Marketing plans and decisions may not be properly reviewed.
5. Data collection may be disjointed.
6. Previous studies may not be stored in an easy to use format.
7. Time lags may result if a new study is required.
8. Actions may be reactionary rather than anticipatory.

The total information needs of the marketing department can be specified and satisfied via a marketing intelligence network, which contains three components.
1. Continuous monitoring is the procedure by which the changing environment is regularly viewed.
2. Marketing research is used to obtain information on particular marketing issues.
3. Data warehousing involves the retention of all types of relevant company records, as well as the information collected through continuous monitoring and marketing research that is kept by the organization.
Depending on a firm's resources and the complexity of its needs, a marketing intelligence network may or may not be fully computerized.

Marketers often complain that they lack enough marketing information or the right kind, or have too much of the wrong kind. The solution is an effective **marketing information system.**
The information needed by marketing managers comes from three main sources:
1) Internal company information – E.g. sales, orders, customer profiles, stocks, customer service reports etc
2) Marketing intelligence – This can be information gathered from many sources, including suppliers, customers, and distributors. Marketing intelligence is a catchall term to include all the everyday information about developments in the market that helps a business prepare and adjust its marketing plans. It is possible to buy intelligence information from outside suppliers (e.g. IDC, ORG, MARG) who set up data gathering systems to support commercial intelligence products that can be profitably sold to all players in a market.
(3) Market research – Management cannot always wait for information to arrive in bits and pieces from internal sources. Also, sources of market intelligence cannot always be relied upon to provide relevant or up-to-date information (particularly for smaller or niche market segments). In such circumstances, businesses often need to undertake specific studies to support their marketing strategy – this is market research.

5.

a. Consumers are influenced by reference groups they believe they are a part of or aspire to be. Sometimes, consumers avoid brands they believe would put them into a group they don't want to be included in. People buy things to help form and express their self-concept and their connections with like-minded people. Many things a person buys, especially showy items such as clothing, accessories, vehicles, restaurants or club memberships, are symbolic of what he thinks is acceptable to a certain reference group such as his family, social circle, workplace, community or culture.

Branded Upbringings: Kids influence their parents' purchases. Marketers aim their messages at children via television, apps and Internet to establish early brand familiarity and inspire direct sales. While parents may refer to other parents and groups for the final decision on household purchases.

Peer Status: Wealthy consumers influence non-wealthy consumers. Certain brands keep luxury consumers believing they're part of an elite club. The trick for marketers of high-end luxury goods and services is to appeal to the wealthier consumers who want to feel distinguished from the non-wealthy while at the same time appealing to the larger audience of consumers who want to emulate the wealthy.

Cause Affiliations: Movements in society can influence consumer behavior. Media reports associated with a brand can fuel consumer activism for or against it. For example, an injustice involving a manufacturer that is publicized in the media may trigger a consumer to join a boycott of the manufacturer's brand.

b. There are 4 main types of factors influencing consumer behavior: cultural factors, social factors, personal factors and psychological factors.

I. Cultural factors

Cultural factors are coming from the different components related to culture or cultural environment from which the consumer belongs.

Culture and societal environment:

Culture is crucial when it comes to understanding the needs and behaviors of an individual.

Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will "teach" him values, preferences as well as common behaviors to their own culture.

For example, in the West, it is common to invite colleagues or friends at home for a drink or dinner. In Japan, on the contrary, invite someone home does not usually fit into the local customs. It is preferable to do that this kind of outing with friends or colleagues in restaurant.

While if a Japanese offer you a gift, the courtesy is to offer him an equivalent gift in return.

Sub-cultures :

A society is composed of several sub-cultures in which people can identify. Subcultures are groups of people who share the same values based on a common experience or a similar lifestyle in general.

Subcultures are the nationalities, religions, ethnic groups, age groups, gender of the individual, etc..

For example in recent years, the segment of "ethnic" cosmetics has greatly expanded. These are products more suited to non-Caucasian populations and to types of skin pigmentation for african, arab or indian populations for example.

Social classes:

Social classes are defined as groups more or less homogenous and ranked against each other according to a form of social hierarchy. Even if it's very large groups, we usually find similar values, lifestyles, interests and behaviors in individuals belonging to the same social class.

We often assume three general categories among social classes : lower class, middle class and upper class.

II. Social factors

Social factors are among the factors influencing consumer behavior significantly. They fall into three categories: reference groups, family and social roles and status.

Reference groups and membership groups :

The membership groups of an individual are social groups to which he belongs and which will influence him. The membership groups are usually related to its social origin, age, place of residence, work, hobbies, leisure, etc..

The understanding of the specific features (mindset, values, lifestyle, etc..) of each group allows brands to better target their advertising message.

More generally, reference groups are defined as those that provide to the individual some points of comparison more or less direct about his behavior, lifestyle, desires or consumer habits. They influence the image that the individual has of himself as well as his behavior. Whether it is a membership group or a non-membership group.

For example, even if he doesn't need it yet, a surfing beginner may want to buy "advanced" brands or products used by experienced surfers (*aspirational group*) in order to get closer to this group. While a teen may want the shoe model or smartphone used by the group of "popular guys" from his high school (*aspirational group*) in order to be accepted by this group.

Family:

The family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, acquire values. But also develop attitudes and opinions on various subjects such as politics, society, social relations or himself and his desires.

But also on his consumer habits, his perception of brands and the products he buys.

Perceptions and family habits generally have a strong influence on the consumer buying behavior. People will tend to keep the same as those acquired with their families.

For example, if you have never drunk Coke during your childhood and your parents have described it as a product "full of sugar and not good for health". There is far less chance that you are going to buy it when you will grow up that someone who drinks Coke since childhood.

Social roles and status:

A social role is a set of attitudes and activities that an individual is supposed to have and do according to his profession and his position at work, his position in the family, his gender, etc.. – and expectations of the people around him.

Social status meanwhile reflects the rank and the importance of this role in society or in social groups. Some are more valued than others.

The social role and status profoundly influences the consumer behavior and his purchasing decisions. Especially for all the "visible" products from other people.

For example, a consumer may buy a Ferrari or a Porsche for the quality of the car but also for the external signs of social success that this kind of cars represents. Moreover, it is likely that a CEO driving a small car like a Ford Fiesta or a Volkswagen Golf would be taken less seriously by its customers and business partners than if he is driving a german luxury car.

III. Personal factors:

Decisions and buying behavior are obviously also influenced by the characteristics of each consumer.

Age and way of life:

A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life.

For example, during his life, a consumer could change his diet from unhealthy products (fast food, ready meals, etc..) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems.

The factors influencing the buying decision process may also change. For example, the "social value" of a brand generally play a more important role in the decision for a consumer at 25 than at 65 years.

The family life cycle of the individual will also have an influence on his values, lifestyles and buying behavior depending whether he's single, in a relationship, in a relationship with kids, etc.. As well as the region of the country and the kind of city where he lives (large city, small town, countryside, etc..).

For a brand or a retailer, it may be interesting to identify, understand, measure and analyze what are the criteria and personal factors that influence the shopping behavior of their customers in order to adapt.

For example, it is more than possible that consumers living in New York do not have the same behavior and purchasing habits than the ones in Nebraska. For a retailer, have a deep understanding and adapt to these differences will be a real asset to increase sales.

Purchasing power and revenue:

The purchasing power of an individual will have, of course, a decisive influence on his behavior and purchasing decisions based on his income and his capital.

This obviously affects what he can afford, his perspective on money and the level of importance of price in his purchasing decisions. But it also plays a role in the kind of retailers where he goes or the kind of brands he buys.

As for social status, some consumers may also look for the "social value" of products they buy in order to show "external indications" of their incomes and their level of purchasing power..

Lifestyle:

The lifestyle of an individual includes all of its activities, interests, values and opinions.

The lifestyle of a consumer will influence on his behavior and purchasing decisions. For example, a consumer with a healthy and balanced lifestyle will prefer to eat organic products and go to specific grocery stores, will do some jogging regularly (and therefore will buy shoes, clothes and specific products), etc..

Personality and self-concept:

Personality is the set of traits and specific characteristics of each individual. It is the product of the interaction of psychological and physiological characteristics of the individual and results in constant behaviors.

It materializes into some traits such as confidence, sociability, autonomy, charisma, ambition, openness to others, shyness, curiosity, adaptability, etc..

While the self-concept is the image that the individual has – or would like to have – of him and he conveys to his entourage. These two concepts greatly influence the individual in his choices and his way of being in everyday life. And therefore also his shopping behavior and purchasing habits as consumer.

In order to attract more customers, many brands are trying to develop an image and a personality that conveys the traits and values - real or desired – of consumers they are targeting.

For example, since its launch, Apple cultivates an image of innovation, creativity, boldness and singularity which is able to attract consumers who identify to these values and who feel valued – in their self-concept – by buying a product from Apple.

Because consumers do not just buy products based on their needs or for their intrinsic features but they are also looking for products that are consistent and reinforce the image they have of themselves or they would like to have.

The more a product or brand can convey a positive and favorable self-image to the consumer, the more it will be appreciated and regularly purchased.

IV. Psychological factors

Among the factors factors influencing consumer behavior, psychological factors can be divided into 4 categories: motivation, perception, learning as well as beliefs and attitudes.

Motivation:

Motivation is what will drive consumers to develop a purchasing behavior. It is the expression of a need is which became pressing enough to lead the consumer to want to satisfy it. It is usually working at a subconscious level and is often difficult to measure.

Perception:

Perception is the process through which an individual selects, organizes and interprets the information he receives in order to do something that makes sense. The perception of a situation at a given time may decide if and how the person will act.

Learning:

Learning is through action. When we act, we learn. It implies a change in the behavior resulting from the experience. The learning changes the behavior of an individual as he acquires information and experience.

For example, if you are sick after drinking milk, you had a negative experience, you associate the milk with this state of discomfort and you "learn" that you should not drink milk. Therefore, you don't buy milk anymore.

Beliefs and attitudes:

A belief is a conviction that an individual has on something. Through the experience he acquires, his learning and his external influences (family, friends, etc..), he will develop beliefs that will influence his buying behavior.

Beliefs as well as attitudes are generally well-anchored in the individual's mind and are difficult to change. For many people, their beliefs and attitudes are part of their personality and of who they are.

2.

a. Here are the prime factors for identifying market competition

1) **Identify current and future competitors in the market** – The best way to identify current and future competitors is to target products. Supposing you are currently selling hair oil. You need to know how many branded and unbranded players are there in the market. You need to know if any new company is starting to sell Hair oil or if any current company might stop selling the same. Furthermore, you also need to know how many of your customers prefer some other product over Hair oil.

2) **Finding market share** – Naturally, once you have identified the competition, the second step is to know their market share. You cannot know the strengths and weaknesses of your competition unless and until you know their presence. Thus if your product is selling in a wide region, you need to break down the region into territories and find out the share of wallet in each territory. This step will help you perform a SWOT.

3) **Performing SWOT** – Once you know the share of market and you have done your secondary and primary analysis, you need to actually work out the strengths, weaknesses, opportunities and threats for each of your competitor in turn. This is important as this shows where you currently stand in your industry, who do you need to benchmark to move forward and what strategies can be most effective to stay on top or to avoid a drop in rank.

4) **Build competition portfolio** – Once you know the SWOT of your competitors, you can build a competition portfolio. A competition portfolio will have each and every product of your competitors, their features, logistics, tangible features (product qualities), intangible features (product service) etc. This portfolio needs to be treated like MIS and needs to be updated time to time. The best source for building a competition portfolio is your sales force itself. They are continuously in touch with the market and therefore can immediately notify you of any changes happening in the market.

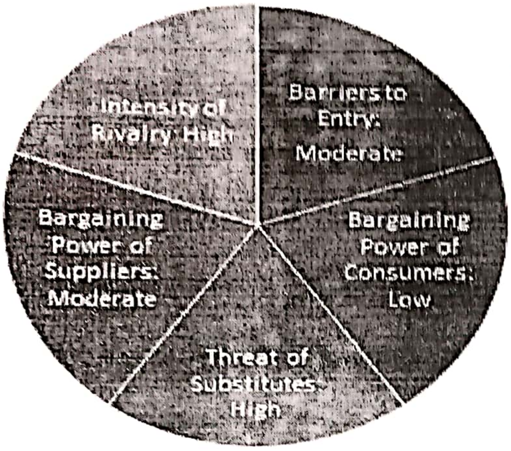
5) **Plan strategies** – Now you have your complete competition portfolio in front of you. Thus you clearly know your line of action. If the competition is far superior, you have two ways to move forward. You can either try the same strategies as top competitor and slowly move on top OR you can go creative / innovative and try to directly take on the market leader. At the same time, if the competition is average and you can reach the top through some effort, then do not procrastinate and put the best strategies forward to reach the top at the earliest. Remember – If reaching the top takes much effort, then staying on top will take double the effort from the complete organization.

6) **Execute strategies** – Quite simple. Execute the strategies which you think are the best and make sure of executing them effectively. There is no meaning of going to such an effort to analyse a competition and then fail at the implementation part. At the same time, it is very important to have a

contingency plan and to anticipate your competitors reaction. If your competitor reacts too strongly, put the contingency plan in place to avoid any long term affects to the brand / product.

7) **Follow up** – Statistics are always useful for a firm and help the firm in practical decision making. Thus by following up you are making sure of quantitatively and qualitatively measuring the response to the executed strategy.

b.



Barriers to Entry:- Entry of new players in an industry raises the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g. estate agency, restaurants). Key barriers to entry include

- Economies of scale
- Capital / investment requirements
- Customer switching costs
- Access to industry distribution channels
- The likelihood of retaliation from existing industry players.

The Indian FMCG Industry is characterized with modest entry and exit barriers.

Threat of Substitutes:- The presence of substitute products in FMCG lowers industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on:

- Buyers' willingness to substitute
- The relative price and performance of substitutes
- The costs of switching to substitutes

Being an essential commodity the demand for consumer products is elastic. Several brands are positioned with narrow product differentiation. Companies entering a category /trying to gain market share compete on pricing which increases products substitution. Hence, threat of substitute is high in the FMCG industry.

Bargaining Power of Suppliers :- Prices are generally governed by international commodity markets, making most of the FMCG companies a price takers. Due to the long term relationships with suppliers etc., the FMCG companies negotiate better rates during times of high input cost inflation.

Bargaining Power of Consumers:- High brand loyalty for a product discourages customers' product shift. But low switching cost and aggressive marketing strategies under intense competition between the FMCG companies, induce consumers to switch between products, thereby driving value for money deals for consumers. However on account of large number of buyers and limited suppliers, the bargaining power of consumer is low in Indian FMCG.

Intensity of Rivalry:- Competitiveness among the Indian FMCG players is high. With more MNCs entering the country, the industry has become highly fragmented. Spending on advertisements continue to grow and marketing budgets as well as strategies are becoming more aggressive. The private labels offered by retailers at a discount to mainframe brands also act as competition to undifferentiated and weak brands.

Impact Analysis

Goods and Service Tax (GST)

GST, which will replace the multiple indirect taxes levied on FMCG sector with a uniform, simplified and single-pint taxation system, is likely to be implemented soon (the benefits are likely to come in by the end of FY'14). The rate of GST on services is likely to be 16% and on goods is proposed to be 20%. A swift move to the proposed GST may reduce prices, bolstering consumption for FMCG products.