

# THE AWARE CONSUMER

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**CONSUMER GOODS AND PRICING:**  
*the price isn't set in stone*

**THE LAST MILE**  
What actually matters to the customer

**IN FOCUS**  
Customer attention

**OUT OF THE BOX**  
Retailer Discounting

**PLUS**

**ROUND UP • MY MARKET • THE PRESCRIPTION**

OUR  
BUSINESS  
is PATIENT  
SAFETY.

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# Price elasticity of supply and demand

When the winter storm approached, consumers fill up their gas tanks because the supply of gas will likely set back due to pre-storm increase in demand. This cause the price to rise high at that time encouraging consumers to be conservative in the quantity of their purchases.

**WHEN ADOPTING TO** move customers through the product adoption process, a market may successfully create awareness and interest, but customers may stall during the evaluation stage. In this situation some kind of promotion –for example free samples, coupons, free use offers, contest and games are introduced to encourage product trial. When Marketers product is the first in the market in a new product category, they will certainly try this kind of promotion.

When new goods, new kind of goods, or whole new industries achieve marketplace success, we think that they satisfy previously unmet, or at least badly met needs. Another important thing for survival is the taste for variety, a central theme is, and we always cannot trust consumer behavior to reveal the true value of goods and services. For example, consider “LAKME” as a new product. We see consumer switching to “LAKME” refusing to treat as a perfect substitute for higher ones. Are we then correct in calculating a consumer surplus associated with “LAKME” as a new good?

The price of certain goods naturally increased due to situations of uncertainty or any natural things happened because at that time demand rises. Change in price in that situation is common because the need for items increased and sends an important message to send more. It is important to recognize the natural disaster themselves, not businesses, it causes prices to rise higher. For example, when the winter storm approached, consumers fill up their gas tanks because the supply of gas will likely set back due to pre-storm increase in demand, and disturbance of the supply lines. This cause the price to rise high at that time encouraging consumers to be conservative in the quantity of their purchases.

It is important for the business to read without artificial alteration. When it comes to government, they don't allow the prices to change according to the changes in supply and demand.

**“ Consumer  
Rights Are Our  
Fundamental  
Rights, IT is our  
Duty to ensure  
we are not  
shortchanged ”**

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Resale price maintenance doesn't allow the resellers from competing on price. Otherwise, it may affect the profit of resellers as well as the profit of the manufacturers.

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Basically, it is an activity or material that acts as a direct inducement, offering added value or incentive for the product to resellers, salespeople, or consumers.

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When given a purchase request by another functional group, the buyer searches for the combination of prices, quality, and availability.



## THE PRESCRIPTION

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Shifting to an OTC market not only poses a risk of developing an RX product, but more importantly, also places the brand in a new competitive environment, namely the consumer market.

## OUT OF THE BOX

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India is a country of festivals. Any festival or event is an excuse for them. Each festival has its own set theme of discounts. Special discounts should be given in the summer fashion week for clothes.



Price your products correctly and that can enhance how much you sell, creating the foundation for a business that will prosper. "It's probably the toughest thing there is to do." "It's part art and part science."



# ROUNDUP

## Goods price and its services

**PRICING OF GOODS** is not so easy. I think it is the toughest thing in the business sector. The motive of every small or large scale industries are to make profit, but, many small scale businesses fail to achieve this goal as they have lack of proper factor necessary for the competitive market. Coming to the setting of prices of any product, we must know the competitors, market and distribution cost.

There are many different kinds of pricing strategies in business. There are no fixed formula that suits all kinds of products, business, and market. To fix a price of the products we have to consider certain key factors,

- Targeting the customer
- Doing research about the competitors how much they are charging in the market
- Understanding the relationship between quality and price

We may create a problem that our business may never be able to overcome.

### How to price the products: meeting business goals

At first we should know about what to achieve with pricing strategy, because we want money and that's why we started the business. And when it comes to making money that means generating enough money that will not only cover the cost, but give us profit and perhaps expand the business.

### These are the two main difficulties we may encounter:

#### • Under pricing

When we fix the price of any product at very low we can have the disastrous impact on the bottom line, this is what to be done when the economy is running low, even the business owners know this. Pricing the product is very difficult at any point, but no more so than in a recession. Many businesses under-price their product attempting to convince the consumer that their product is less expensive than others so that the product can drive the volume up. One thing should be remembered that consumer wants to feel that they are getting their money's worth and the most are willing to purchase from seller they believe to have less value.

#### • Over pricing

The buyers are always looking for the competitive pricing so it could be harmful. If we set the price so high it could also be responsible for reducing sales. One mistake in the business can make us out of the gate. The business man thinks that they have covered all the expenses of the people who work for them, rent, electricity bill etc. and this is what the price has been set. ▶



#### DATA BRIEFING

Pricing is a fundamental aspect of financial modeling and is one of the

# 4 P's

of the marketing mix. (The other three aspects are **Product, Promotion, and Place.**)

# The power of number



**LARGE COMPANIES** have many advantages as they have large capital. They can use the bigger technique because they have lots of money for investment. They can use cream-of-the-crop research to find the best price for their product. On the other side small scale businesses don't have this facility. This is where we can use the knowledge and behavior by researching, some prices are more effective than others. By this only we can find an exact sweet spot to maximize the effectiveness of price. For the last couple of years, the marketing world is overflowing with charm pricing- prices of the product that ends with 9. We have heard about the reasons why it is used, to make the price lower. But does it really work? The people are really affected by the 99 price unit in place by 100. According to the researchers it is affected by 24% versus their nearby rounded price unit. ▶



Pricing is most effective when the last digit changes. Let us consider one, for example, if we sell any product for Rs499 in place of Rs500 then we know that there is only a rupee difference that doesn't make more differences but it looks a little cheaper and the

**REDUCE THE  
LEFT DIGIT  
BY ONE**

consumer wants this. Another question comes why the left digit is so important? It involves the way our brain encodes numerical values. Our brain encodes the size of a number so quickly that we encode the size of a number before we finish reading it.

~~Rs 500/-~~ Rs. 499/-



**RETAIL  
shopping**



# The in-store experience



**THE MAIN GOAL** is to offer customers a seamless shopping experience across multiple channels, the trick to find the best way to combine e-commerce with in store shopping to create a connected retail experience. The first approach to creating in store experience was started by the Tesla motors in which the customers can configure their own Tesla car on a huge touchscreen and then view it on the video wall in the back of the store. By making the shopping simple like going to the store, scanning the item which the customers want to buy, and paying for that item with the series of taps on the smartphone. There is another way of buying the products online. Picking them up in-store and checking out- there are many more options to choose from the store. There are many retailers who are struggling to find the best way to combine e-commerce with in-store shopping to create a consistent retail experience.

Let's take an example of bricks and mortar retailers, they are trying to increase their in-store experiences, many new options are emerging to help close the gap between e-commerce and in-store experiences. Both may have many things in common what retailers assume. As the consumer becomes usual of online shopping, as they are consistent and very convenient, they also want the in-store

experience as convenient and consistent and match with the e-commerce routines.

**These are the four things to remember and improve the customer experience:**

- **Satisfied employee makes satisfied customers** – employees are the public face of the business as they deal with the customer directly, if they are unhappy and have no information about the product then customers notice that.
- **It all starts with engagement** – when customers enter into the door of the store the first thing they notice is the sales team. When employees can be seen standing here and there and taking no interest in the customer, not guiding them, hiding out from the customers than customer also notice that. Retail sales teach them first the basic thing that to engage the customers as soon as they enter the store.
- **Be happy that they are happy** – the employees cannot afford the expensive item they are selling to others. This can lead to the feeling of jealousy, this can affect the salesperson's ability to link with the customers.
- **Buying with the heart not the head** – proper trained, confident, well behaved salesperson know they can motivate the customers to buy anything. When the

salesman has the correct information about the product they can create a narrative that connects the customers with the items they want to buy.

The rise of e-commerce cannot be dismissed, but the in-store experience is now very important. The brand, embrace the changing consumer and offer in-store experience that goes above and beyond the norm. **The store is now more important than ever. It is the place where products really show off their magic, by providing a memorable retail experience through expert consultant who personalize each customer's journey.** A hands-on experience in-store is important for customer interaction. If we are investing in a top quality item, getting feel of the product is key. One of the most important keys is brand which is the reason to come in-store. The consumers looking for a great experience from start to finish in-store, a tailored and customized service is integral to this. The professional and efficient service is required to attract the customers to visit in-store and spend some money. When the customers shop in-store they receive quality with sales people who understand and can showcase the product. If we are spending lots of money on product we just can't buy it without knowing about the quality. ▶

# Survival and growth



These are some activities for business survival and growth:

## Understanding the way we fix the price of any goods

The only most important thing is we should to take care of the customer by making a profit for the company as well. This means how much it costs to operate the business per hour. We can consider an example, if the per hour overhead cost is five thousand then we must generate five thousand plus direct cost of creating the products, performing project work, serving customers, etc. we provide the value to the customer that exceeds the cost he is paying and for that charge them accordingly. The customer must feel that he is getting the best value products and services. If we don't do like this they can easily choose the next competitors next time.

## Positive cash flow

If we have the cash, then every problem seems to be a little one. The cash from one completed project starts the next project. Make sure we collect on profitable work we never have the cost problem. After billing next thing which is important is collections. The customers who have not paid their bill take time to call him within 30 days; if we don't do like that then the customers put you on the bottom list for payments. Sometimes we are so busy that we forget to call which is very important because cash flow is usually good and it hides that fact that some customers are not paying when their bills are due.

## Employee time

At first confirm that all employees are working properly. Make sure that you are not paying them to drink coffee, for net surfing, or other non-productive activity. For companies having a field vehicle, make sure the travel time is kept to a minimum. For this GPS location tracker is used so that the field boy is working properly or not. Meeting time, vacation days, holidays, and sick days, we cannot bill a customer for them, these are the benefits that most employees.

## Inventory

We don't want the employees running to suppliers every day because they don't have the proper parts. It is better to learn the delivery cycles of the suppliers and keep only enough inventories so that it can easily be replenished with in the order and delivery time. If we take care of the customer, understand the cost of doing business, bill for the jobs, keep an eye on collections, and watch employee productivity and inventory purchases, we will have control over the most crucial business activities necessary for business survival and profitable growth. ▶

# The price isn't always set in stone

**THE CONSUMER GOODS** sector includes a wide range of retail products which consumer wants to buy from staples such as food and clothing to expensive item such as Jewelry and electronics. The specific food that consumer wants to purchase differs in different economic conditions, depending upon the consumer how much they spend on optional items such as electronics and automobiles. Prices, affected by the rate of inflation, naturally consumer spend on goods notably. When the inflation rate is high, it dissolves the purchasing power, the consumers don't have the excess money to spend on optional thing after covering the basic expenses like food and housing.

When we go to the store to buy anything we can bargain as everyone knows that price is not fixed as it is written on the label. So we ask the salesman to lower the price of any goods. It depends on the economic condition also, when the demand is higher than the supply, then price will be increased in that situation they will not bargain, but when the supply is higher and they have a large amount of product in store, they will bargain and keep the price low. That's why we call it - price isn't set in stone. ▶



## Gabor Granger technique

**THIS TECHNIQUE IS** named on the name of two great economists, Andre Gabor and Clive Granger. Basically, this technique is based on asking people the likelihood of their purchasing of products and services. This method is used for determining the price elasticity of products and services which has been in use since the 1960s. This is the easiest way that plots the number of people want to buy the product and services at a number of different prices that's made possible to know the raising or lowering of price very easily. For example, for product A, 80% of the people buy it for Rs.30, 60% may buy the same product for Rs.40, and 50% of the people may buy it for Rs.50. This could be the data to calculate the elasticity of demand for product A. The elasticity of demand shows the raising and lowering the price of the product.

Any product having high elasticity of demand will have a large effect on the demand for that product and can have its price changed, in case of the inelastic product which have low elasticity of demand have small effect on demand for the same product.

The price of products goes higher and lowers depending on consumer demand. If the consumer says “yes” to buy any product then we should ask him for little pricier and we know that they will be ready to buy that product, but if the consumer says “no” to buy any product then we should offer him a little less price for that product. It will continue till the respondent not to go any higher or lower than their previous price.

The graph shows the Gabor Granger technique:

This pricing technique allows the client to make an optimum price to be charged for a product or services. It depends on the client what they likely to pay and the profit they make at that price. Gabor Granger is only used considering one product in separation, whereas the consumers will face a choice about a product to buy in real life. It cannot be measured from Gabor Granger that what customers would pay is useful, but the same product offered to the customers for less amount. The customers can directly ask for the price or they can ask the rating for that product, certainly according to that they will buy the product. ▶



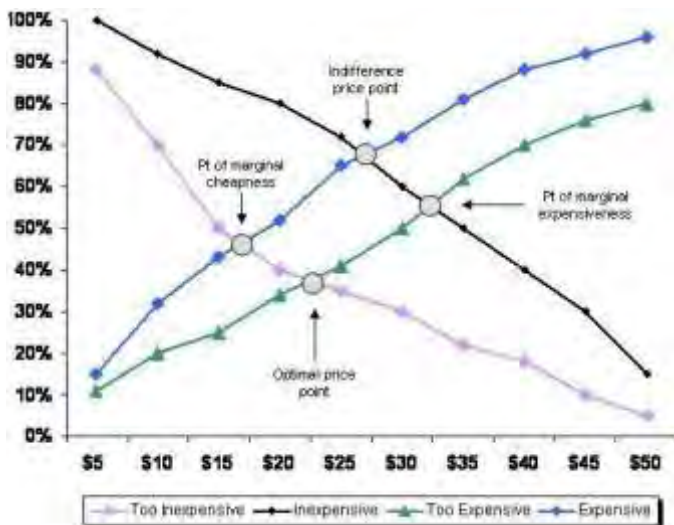
# Price sensitivity monitor

**PRICE SENSITIVITY MONITOR** helps in identifying the acceptable range of prices. The price is set in such a way that the customers don't have a suspicion about the product in his mind that why the price of a product is too low. They can have a suspicion about the quality if the price will be too high which result in very poor value for money. This method is used to determine the optimum price of any product.

This technique has been used by many researchers in the market research industry. It was introduced in 1976 by Dutch economist Peter Van Westendorp. Lack of knowledge presents challenges for radically new products. If someone does not have any idea about the product they are buying, then it does not make any differences, whether the question is direct or the price is buried.

## The price sensitivity basically asks these questions:

- The product is getting expensive at what price?
- The product is at a good price at what value?
- At what price is the product so inexpensive you doubt its quality?
- At what price would you think is too expensive to buy the product?



## When using this technique, the researchers can determine the following price definitions:

- **Point of marginal cheapness** – when sales lost due to questioning of customers about the quality and it would be gained from bargaining.
- **Optimum price point** – when the customers feel that the product is too expensive and also the same people feel it is so low that the quality is questionable.
- **Indifferent price point** – this is the point in which most customers are indifferent to the price.
- **Point of marginal expensiveness** – at this point price is serious concern where the customers feel that the price is too high for the value derived from it.
- **Range of acceptable pricing** – this is the difference between the point of marginal cheapness and the point of marginal expansion.

This technique is easy to implement compared to other technique. Basically, it is used both in new as well as in existing products and services. The graph shows the example:

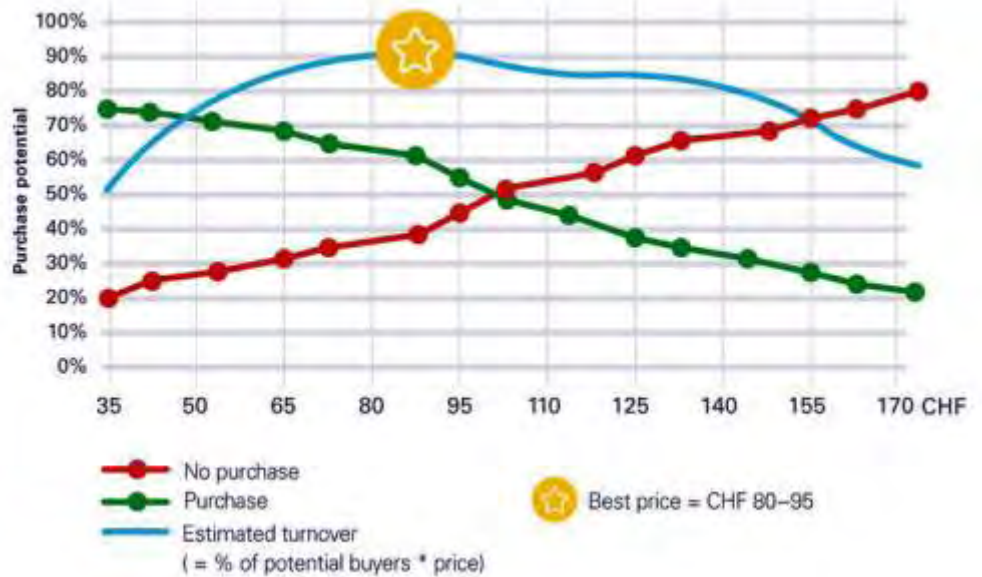
The range of acceptable prices lies within the boundaries created by the marginal point of cheapness and the point of marginal expensiveness. Under this, it is also fair to ask questions mainly regarding purchase likelihood for the “good value” and “expensive” price points. We can also ask the customers to elaborate on their reasons for selecting their price points. ▶

# Conjoint analysis

**CONJOINT ANALYSIS** is a technique to understanding the people about how they make the adjustment between different product and services and the values they make on different features. It is the main technique for pricing is based on conjoint analysis; this technique is more advanced and reliable than other research technique. This technique is well in understanding the choice making decision of customer and the importance of price. Conjoint analysis needs a higher level of design skills because it is a technical form of research.

The conjoint analysis mainly describes the breaking a product and services into its constituent parts called attributes and levels, these are done for finding what customers would prefer to buy. It uses statistical analysis to find out the value, or utility score, about different parts of the products and services that helps in making customers decision. For example, we may take the example of a computer. It describes the different parts like processor type, hard disk size, and amount of memory.

Similarly, these attributes can be used to describe different levels for different



**Conjoint analysis doesn't work when it comes to the emotional attachment of the customer decision making.**

product. So the first thing what conjoint analysis does is create a set of product profiles to make out different options for customers to choose from. After making choice decision, statistical tools can be used to analyze the product and services of the customer to choose from the different product in order to quantify both what is driving the preference from the attributes and give a proper value for each product and services.

Conjoint analysis is tough because it needs an understanding how to create attributes and levels and how to use it, how to make product profiles, what choice is offered, how to analysis data, and build the market model. It doesn't work when it comes to the emotional attachment of the customer decision making. Its main purpose is to how and where they can gain the greatest improvements in comparing to other competitor in the market, where to add value for the customer, how price plays an important role in the decision making process. It becomes the key tools in developing the market strategies.

Above graph shows the purchase potential of customers. ▶



# Brand Price Trade-Off (BPTO)

**IT IS A STATISTICAL** technique mainly used for market research and marketing sciences. It builds the relationship between the brands and the prices on which they have command comparing to other brands. BPTO is used in a condition in which there is a connection between the brand and price offered for a product or services. Mostly it is used in categories where products and services are almost similar to each other and where the brand plays an important role in decision making. It plays an important role in determining the impact of the price increase and decrease in the sales of a brand. It also has the capability to provide the response of competitor's changes in price and gives the report of profit or loss.

This technique also helps understanding how much a brand can charge. This technique is generally used



by the retailers when there is not much difference between their products and the product of others available in the market. The Brand Price Trade-off research technique is used by the retailer before launching the competitive product to the market in order to gain insight into the

effects of varying price points on purchase behavior.

In this technique many products or brands are shown to the customers who are then asked to choose their options. When they select the product, the price is then adjusted for that brand and customers are asked to choose again. This is repeated several times until the customer makes their decision to purchase. This helps the retailers understand what customers choice is according to that he made an accurate estimation of profitability levels in different brands. It is possible that customers may reject the offers at the price offered. The base price is lowered for this brand that has not been selected. This version is used less because it draws the attention to the dynamics of the price, and it will not affect the customer behavior.

Below graph shows an example of Brand price Trade-off exercise under this setup is shown below. ▶

If the brands below were your only options, which would you choose?  
Choose by clicking on one of the options below.



**Brand A**  
**\$29**



**Brand B**  
**\$39**



**Brand C**  
**\$36**



**Brand D**  
**\$40**



**None of these**



## Ray of hope

**CONSUMERS HAVE THE** strongest influence over Indian economy, but it has been damaged by two straight years of 5 percent of economic growth. This growth rate is too far to generate enough jobs for an ever expanding workforce. Economist say that the growth rate is picking up as the oil price is high, low inflation that comes to the job creation, and interest rate becomes three-quarters of a percentage point this year. India has no benefit on the retail sales because a large number of transactions are done every day that is never reported to the authorities, but loans given for retail are a proxy indicator of growth that is 15.3 percent in June from a year earlier to the overall credit growth of 12.8 percent.

India's economy depends on the spending power of the people. We can take an example of an employee who recently

received a raise. She said "our salary increase have been on an average 10 to 12%. She is left with some additional money in her hand even after saving, so she spends it in eating out more frequently, travelling and buying dresses.

The Economist says that people spend more freely during the festive season. A survey by the Reserve bank of India shows more than 87 percent of the people spent more in the June quarter than in the previous quarter and 86 percent is likely to spend more in the coming year. Experts say that Indian consumers are maturing and their focus is shifting from discounts to value for money, customers are looking for value added products and better features. The government is also due to pay employee arrears after backdating the salary increase. Once the employees get their arrears, it is expected to better sales. Sales of appliances such as refrigerators and air conditioners account for 40 percent of sales, but faces inflation during the month of March-April. ▀



## Going gets tough

**IF SUCCESS BECOMES** simple to achieve, then everyone becomes a successful person in his life. Take a look at recent decades of consumer packaged goods industries, they show they have continually managed to grow but not for profit always. Today the consistency can't be seen anywhere, a series of large-scale trends is causing the disturbance in the industry. They forced the companies in mature markets to make tough choices about surviving and winning.

These new trends will transform the industry over the next decade, the strategic choices that CPG manufacturers make in the next few years will be more appreciable than those were made in the past. Different companies will respond to the trends differently. One company may opt for a powerful but risky step, and the other may choose to focus more on the core franchises with the hope of delivering stable, earnings.

Consumer packaged goods companies should have better understanding of how competitors grow in each market, and how their own strategic positions will change as a result. A research has found that consumption growth in each product category follows its own distinct. The companies know how to invest and where to invest, they just put a category called "Hot Zone" on which they invest and they will likely generate the most value. All the growth is not coming from emerging markets. The companies identify the market and invest in the developed market as well.

The investment decision of a company doesn't matter. The main key to success is its ability to allocate resources quickly to the businesses that will make high returns.

The companies might know how big a shift, they need to make and how big a shift in emerging market players are already making.

Profit depends upon the commodity costs, when companies raise their prices to redeem commodity, the price rise, they enjoy strong returns. As the commodity cost is rising because of global consumption growth, the hike prices of new supply, and the interconnection of resources, the rise in the commodity prices in the past years has undone the decline of the previous 100 years. ▀



## Opportunities for company



**THESE ARE THE** main points to discuss for companies opportunities:

- Order management
- Master data management
- Trade promotion management
- Multi channel customer experience
- Supply chain management
- Finance and accounting
- Technology

The companies face the new challenges by the consumers regularly, but these challenges create a new opportunity and new routes to the profitable growth. Mainly the challenges

are created by the complex consumer and shopper behavior, retail consolidation and emerging markets. The high performing consumer company has one thing in common, they know what they are really good at and they designed their business like that.

Today's businesses will consider changes more frequently and in more fundamental ways. In the coming years consumer goods companies and retailers face a meeting of rapidly evolving technologies, consumer demographic shifts, changing consumer preferences and economic uncertainty. From our analysis, we found exceptional

performance can be achieved within different consumer goods industry segments, for example personal care products and food items across different sizes of the company. This can be done by the any company's managers and investors. To understand this we conducted an extensive survey and profiled the business models of the selected companies. We found the result from the executive survey, with an independent analysis of the companies using public annual reports, investor presentation, analyst reports, and press releases.

Through or research and analysis of exceptional winners according to the case studies, executive interviews, and prior research, we came to know the four themes that set exceptional winners apart:

- They focus on what they do best by creating coherent business and operating model.
- They develop a set of critical and distinctive capabilities that work together as a part of self-reinforcing business model.
- They drive greater maturity into the distinctive capabilities than their peers.
- They drive value for one of the three dominant business model types- operational excellence, product/brand leadership, or customer solutions. ▶





## Customer attention



## Comparative price level

**THIS TOPIC DESCRIBES** about customer attraction towards the product. Everyone wants that the product to be cheap and best. They want the best product in cheaper rates. So this is very important that we should focus on this. Then the question comes how it would be possible to give the best product in cheaper rates?

There are five steps by which customers make their decision in purchasing any product:

- **Information** – At first the customer wants to know about the product. They want information about the product.
- **Need recognition** – The customer decision begins with the identification. The particular problems depend on two



factors: between what we have and what we need and the importance of the problem. Once the problem is recognized, it must be defined in such a way that the consumer can easily initiate the action that will easily give a solution.

- **Evaluation of alternatives** – It differs from customer to customer. One customer may consider price as an important factor and the other can give importance to quality or convenience. The search for alternatives fully depend upon the consumer, how much they have knowledge about the product and the risk of choosing the wrong product.
- **Purchase** – At the time of purchase, the consumer may

**THE PPP (PURCHASING Power Parity) concept,** the PPPs are the price that shows the different prices of the same goods in different countries. For example: Price of McDonald Burger in India is Rs.40 and in other countries, it is Rs.30. The PPP for McDonald burger between India and other countries is Rs.10. In other words, same price spent on burger in India and the other countries. PPPs can also be used to estimate the price level differences among the countries. Price level indices, calculated as the ratio of PPPs to exchange rates, can be constructed based on the expenditure classification of national accounts.

The most common techniques that many marketers follow is to compare their prices with the other competitor in the market and using this common quotation “my product price is cheaper than others, so why not to buy mine”? The problem is comparative price is not as reliable as the marketers think it should be, and can affect consumer perception of the product in a few different ways. Marketers need to be aware that comparative selling, although could be very powerful, is not without its risks.

form an intention to buy the most preferred brand because he/she have the all information through labels, advertising, personal selling, and public relation is an important point.

- **Post purchase** – After the customer has purchased a product; the most important thing is what the customer has felt about the product and what they say about the product to others. Advertising that stresses the many positive things about the product and confirms the popularity of the product can be helpful.

Customer Surveys say that 70% of the restaurant customer want healthier choices on the menu, but only 10% of them actually buys the new items once they are offered. Frankly speaking, understanding the customer sometimes means understanding them better than they understand themselves. ▀

# Pursuing the design target



**THIS IS VERY** important for marketing purpose if we have to do well in the market than we have to take care of design target. Do we know who our customers are? More importantly, do sellers know who the best customers for their products and services are? By knowing these things we can directly connect to the customers. This type of information can help us in many ways. It can help in making changes to the products or services itself, to better match the customer needs. This information can also help in how to reach the customers through advertising, promotions etc.

Demographic information plays an important role as it is changeable, measurable information about individuals or group of individuals. It includes age, gender, income level, education level, racial identity, marital status, size of household, number of children, occupation, size of community, etc. this type of information is helpful for the small scale industry to a larger extent.

These are some of the lifestyle information:-

- **Social factors:** This factor refers to the choice of habits.
- **Belief and value system:** This includes religious, political, cultural beliefs and value of the customers.
- **Life stage:** A focus on lifestyle goes into the experience of people at different ages.

- **Psychographics:** It refers to the personality and emotionally based behavior that is attached to the customers purchase.

Apart from all this, economic factors are very essential to intermediate buyers. If intermediate buyers are involved prior to the products reaching the end user, influences other than customer demographics and lifestyle factors are likely to be important. Some of the more factors include:-

- Profitability of the items
- Availability of discounts
- Advertising and promotional support programs
- Slotting fee allowances
- Availability of free samples
- Personal buyer, seller relationships
- A sales incentive program.. ▶





# Consumer Protection Act, 1986

Consumer rights under the consumer protection act; in day today life everyone is well known about their rights and responsibilities, yet many cases are there of consumer exploitation. That's why government provided these rights to the consumers under the consumer protection act, 1986.

- **Right to safety:** Under this right, the consumer has the right to be protected against the fraud marketing of goods and services which are dangerous to life and property, this right is important for safe and secure life. This right includes concern for the consumer for their long term interest as well as for their present requirement. For example, defects in the gas cylinders, pressure cooker and other electrical appliances may cause loss of life, health, and property of customers. The right to safety protects the consumers from the sale of such dangerous goods and services.
- **Right to information:** Under this right, consumer have the right to know about the quality, quantity, purity, standard and price of goods and services so as to protect himself against the abusive and unfair practices. The producer supplies all the relevant information at the suitable places.
- **Right to choice:** Under this right, every consumer has the right to choose the goods and services suitable for their needs. The right to choose means compare the product to the other vendor if it is given at the fair price or not. The supplier or retailer doesn't have the right to force the consumer to buy the particular product.
- **Right to be heard or right to representation:** Under this right, consumer have the right to represent or to be heard or right to advocate his interest. For example: if the consumer is exploited or consumer has any complaint against the goods and services, then he has the right to be heard and be assured that his/her interest would receive due consideration. Under this right companies must have complaint cells attend the complaints of customers.
- **Right to seek re-addressable:** Under this right consumer should get compensation or seek re-addressable against unfair trade practices or any other exploitation. The right to re-addressable includes compensation in the form of money or replacement of goods or repair the damaged goods as per the consumer satisfaction. Re-addressable forms are set up by the government at national and state level.
- **Right to consumer education:** Under this right, consumer have the right to acquire knowledge and skills to be informed to customers. Every customer doesn't have the knowledge about their rights. This is for the illiterate consumer who can seek information about the existing acts and agencies set up for their protection. The government is making use of the media so that every consumer should know their rights and make wise use of their money. ▶

## Resale price maintenance



**LET'S FIRST DISCUSS** what is resale price maintenance? It's an agreement between the manufacturer and the distributor that set the price of the product, either at the minimum price or maximum price shall be charged from its customers. There are several reasons for the manufacturer to maintain resale prices. Some reasons show that RPM enhances consumer welfare while others indicate the opposite.

Resale price maintenance doesn't allow the resellers from competing on price. Otherwise, it may affect the profit of resellers as well as the profit of the manufacturers. The manufacturers want the profit to be made by the resellers, thus keeping the manufacturer profitable.

### Logic of the resale price maintenance:

- It helps the retailers to earn more profit. The manufacturers may feel that if they keep the retailers to earn more profit, then retailers' will sell their products more and more. Thus, when retailers earn more profit, manufacturers will do too.
- It helps the manufacturer to reward shops who promote their products through advertising.
- Consumers don't waste time searching around for the best deal. They know that the price will be same everywhere.
- RPM also reward firms who provide better personal service.
- It provides support for small retailers who can't buy in bulk to remain profitable. ▶

## The future applications of consumer goods

**MARKETERS HAVE** become conscious about their responsibilities and opportunities of sustainability. The only thing they have to do is to have the right tools. Consumers in both developed and developing markets are empowered with more knowledge about products and alternatives and are demanding the combination of message, product and services that best meets their individual needs. We may be looking at an environment where data poor brands will struggle to compete effectively. This challenge is faced by many manufacturers in a variety of sectors. When we talk about the brands, they offer a service, there are many opportunities for relationships with consumers through the capture of personal and transaction data. There are other reasons to develop services, they are linked with a range of positive attributes such as higher margins, stable revenue streams and greater responsibility to react to customer needs.

Consumers buy locally made products, strengthening their local economies mainly. The communities are strengthened by locally made products. They can't afford expensive resources which are available in the market. Growth in developing countries is still better than in the USA and Europe, a slowdown in emerging countries such as India, where companies hoped of higher sales but has transformed into lower than expected consumer spending growth. Today, there is a huge variety for the consumer to choose. Growth is obvious for both where more consumers spend on quality goods and services at the lower end where an increasing number of consumers, giving importance to the value of the products and services. ▶



## SALES STRATEGY

**GENERALLY, WHEN** companies employ advertising or personal selling, they depend on these activities continuously or critically. However, a marketer's use of sales promotion tends to be irregular. Many products are seasonal. Toys may be discounted in January after holiday selling season to move excess inventory. Marketers frequently rely on sales promotion to improve the effectiveness of other promotion mix elements, mainly advertising and personal selling. Promotion plays a key role in the market for any product. **Basically, it is an activity or material that acts as a direct inducement, offering added value or incentive for the product to resellers, salespeople, or consumers.** Sales promotion should not be confused with promotion; sales promotion is just one part of the comprehensive area of the promotion.

Marketers invest more in sales promotion than on advertising, and sales promotion appears to be a fast-growing area than advertising. The selling strategy for services on business ideas for clients that are small to medium in size and not capable of, or are not interested in, in expanding their internal functions to include functions, such as human resources specialists, or payroll or bookkeeping functions. Ensure that our small business plan and strategic marketing process addresses marketing mix issues specific to services and that our pricing strategies are specifically designed for our service. Think of the sales process in terms of bike riding, when we ride a bike, we have to gain a



momentum. When we start pedalling the bike first time it take extra energy to get the bike to move. When we hit a hill, it is easier to climb it because we already have that momentum going. That's the way an effective sales process started. We have to put the plan in place and start the ride. Once we got that energy going it becomes very easy to maintain that energy. Knowing sales is not easy that why we are not doing business with everyone. This is the process that will work over and over again. We will find that the momentum builds with each step. So it becomes easier to do this.

### PRICING

**PRICING STRATEGY** which relates to the cost synergies rather than to customer maximization, are price incentives aimed to push customers into a more favorable channel. If the company knows the cost of its processes in the different distribution channels, a reasonable strategy is to attract customers to the channel with the lower cost. If the

company wants to lower its transaction cost, then the company performs such kind of action. Pricing allows the utilization of synergies by using different prices in online and offline mode. For example, offer discounts on store goods for customers with online receipts. Such a promotional activity aims at increasing the number of customers in offline stores. The operation of multiple channels offer a wide range of pricing options. Even if the channels operated in a coordinated way and in general share the same prices, additional pricing measure are possible. Special price reductions, or other actions could promote one channel. **In principle, bricks and clicks companies may decide to use the same or different prices for their online and offline branches. In many cases, a consistent pricing-strategy is used for all channels.** However, customers usually have to pay additional fees for some channels. For example shipping cost, which refinance the costly last mile of transportation to the customer. ▶



# Route to market

**TO MAXIMIZE THE** chances of business success, we need to identify and focus on the most effective routes to the market. We could have the best product and services in the world, but we will fail if we don't put it in front of the right customers. If we will not do the market research to find out what and how our target customers prefer to buy. Our business will not do best as it could. Let me tell you, there is not any bad routes to the market, but we can go through the better way. For this we have to look for the best sales channels for our product or services. When we talk about the sales agent or sales team, they can work well, especially if our sales are not our strong point. But such third party may be likely to focus on immediate sales rather than establishing long term relationships with customers and there are issues of control to consider. Knowledge is everything when it comes to identify which groups of customers, we would be targeting. In this situation market research play an important role.

Market research helps us in finding the customers taste, need, and spending habits of different groups of potential customers. This will tell us about the customer segment, most likely to buying our offer and the kind of activity they will respond. For this we have to start identifying the different segments among our existing customers by looking for groups with the same kind of characteristics. Consumers are divided among ages, gender, and income. For business customers, they are divided into industries and size.

## TRADE AND PROMOTION

**THE SIZE OF AN** organization's promotional budget affects the number and relative intensity of promotional activity. If a company's promotional budget is extremely limited, the firm is likely to rely on personal selling because it is easier to measure the sales person's contribution to sales than to measure the sales effectiveness of advertising. Effective marketers who understand the importance of word-of-mouth communication attempt to identify opinion leaders and to encourage them to try their products in the hope that they will spread favorable publicity about them.

These are some features for successful trade and promotions management:

- Business strategy, roadmap and Business Transformation consulting
- Implementations, upgrades, global rollouts
- Application maintenance and support
- Trade promotion management shared services
- Package evaluation and selection, business process reengineering
- Organizational change management and training. ▶



## What actually matters to the customer

**ALTHOUGH CONSUMER** oriented innovation is here defined as a process towards the development of a new product or services in which consumer understanding and analysis needs and preference plays an important role, this does not mean that the aim is to develop products and services for which consumers are able to articulate the need themselves. It is a well-known process for consumers who are not able to articulate their needs for really innovative products, because their thinking is framed by the products which are in the market. Also, when consumers confront the new, highly innovative product which is new in the market, they find it difficult to imagine the use of these innovative products in their daily lives.

When it comes to quality perception process, they find it difficult what to choose what not to choose, which product is better. Before they purchase, quality expectation is formed based on quality cues, where it is common to distinguish between intrinsic cues (physical characteristics of the product) and extrinsic cues (everything else like brand, packaging, storing, and advertising). After purchasing, the consumer will have the quality experience which often deviates the consumer from expected quality. The relationship between quality expectation and quality experience is commonly believed to determine product satisfaction, and at the same time probability of purchasing the product again.

At the most generic level, when we buy something there are two dimensions to the value we get from our purchase: price and non-price. Price value is a

function of how much we pay for something, and the less we pay then we get the more price value. Non-price value is the other dimensions of value that are not price: quality, brand, style, convenience, etc. A company's position defines how it creates value for its customers in comparison to other companies. A company's profitability formula describes how it compares value for itself compared with others.

Another important thing for the customers is the obtaining the best deal. When given a purchase request by another functional group, the buyer searches for the combination of prices, quality, and availability. The treats availability as "order qualifiers" when evaluating competitive offerings. That is, they are necessary for a supplier to be considered, but not sufficient to gain the order. Then, the question arises "How do buyers get the best Deal"? To understand these dynamics fully, let's assess buying as a form of distributive negotiations. In distributive negotiations, the customers and suppliers both assume that the value is fixed in size. Both see the situations as win-lose as one gaining more at the expenses of the other. The customer and suppliers both wanted to gain as much as they can in bargaining.

Critically, buyers are careful not to "squeeze" suppliers too much on price. If the customer firm does not allow a supplier a measure of profit, the supplier might go. In some instances, customer personnel have a better understanding of their own requirements, whereas in others the supplier has the superior knowledge. Customers use product or



service and are often in a better position to define their requirements in terms of performance in specific applications.

### These are the six elements to consider:

- Never lose sight of what actually matters to the customer.
- Explore innovative approaches, like to bundle product shipments.
- Explore non-traditional capabilities.
- Optimize transportation solution to meet last-mile demand.
- Consider the inventory's form, function and placement within the supply chain
- Focus on returns management efficiency.

Communication technology helps in tracking the order, date of delivery, etc. many people will be familiar with this. The key is to form new dynamic value networks, centered round the consumer and enabled by technology. The 'last mile' problem is growing very fast with soaring e-commerce sales and today's technology has a better tracking system and analysis tools that can optimize the delivery process very well. They have to meet this problem head on and provide lasting solutions that can stand up to the demand we can expect to see in the coming years. Innovation starts with new thinking. Success relies on identifying partners that can help make it happen. ▶

# THE PRESCRIPTION



POOJA  
KHAITAN

OTC drugs are the medicines that are provided to the consumer without any prescription provided by the doctor or any physician.

## From to OTC Drugs



**SHIFTING OF DRUGS** from RX to OTC becomes a challenge for marketing and market research. Shifting to an OTC market not only poses a risk of developing an RX product, but more importantly, also places the brand in a new competitive environment, namely the consumer market. Patients become consumers, while OTC medications face new challenges competing not only against other pharmacological formulations, but often also against other treatment solutions such as functional foods and nutrition products.

OTC drugs are the medicines that are provided to the consumer without any prescription provided by the doctor or any physician. It is mainly used to treat normal illness that may not require the suggestion of a physician. OTC granted medicines have to be wide safety margin and must have an understandable label to ensure proper use. The OTC drugs which are available in the market today use ingredients or dosages which were given only by the prescription provided by the physician or health consultant.

There are two ways in which drugs are commonly switched as approved by FDA:

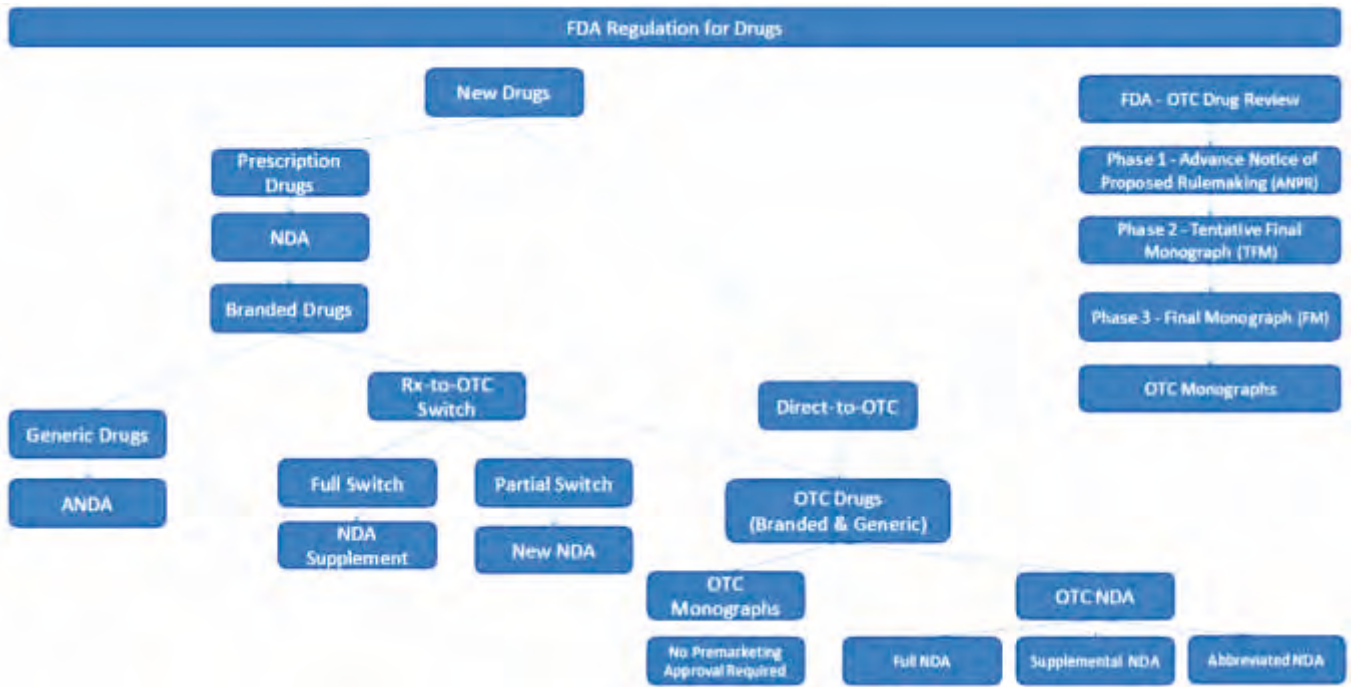
- Focus on safety and effectiveness of all non-prescription drugs
- The committee of non-government expert opinion about the active ingredients in promoting an OTC drug product to determine whether they can be safe and effective.
- New Drug Application Process (NDA)- Drug manufacturers have to submit the data to FDA mentioning the drug is appropriate for self-administration.

After the discovery of drugs, the drug manufacturer tests the drug in the laboratory and then it is tested on animals. If the drug is effective then the drug is tested on humans also to see the drug is safe and effective. When it proves that the drug is safe, then it is sent by the manufacturer to the FDA to apply for approval. Thereafter, it is used to treat or diagnose a disease. ▶





This diagram shows the FDA regulation of drugs:



# Health analysis

**THE IMPORTANT THING** about the health care analysis is that it is interrelated in all aspects of health systems and health are provisioned, including public policy and health, health related education, health services organization and decision making, health care professional practice. Health care analysis seeks to support the conversation between philosophy and policy.

These are the five things we should know about India healthcare systems.

- **Rural versus urban divide** – There is a huge gap between the urban and rural population in its healthcare systems which affects the people.
- **Need for effective payment mechanisms** – Most of the patients pay the money for hospital visits and doctors' appointments with no cash arrangements for their treatment.
- **The demand for basic primary health care and infrastructure** – India has to fix its basic health issues in the areas of HIV, malaria, diarrhea. The children are born underweight and 7% of them die before their fifth birthday.
- **Growing pharmaceutical sector** – India is the third largest exporter of pharmaceutical products in terms of volume. The government has taken some major steps by allowing foreign direct investment in this area.
- **Underdeveloped medical devices sector** – it is one of the fastest growing sectors in India like the health insurance sector. According to the Economic Times, the medical devices sector is the most promising area for the future development by the investors. ▀

**“ Let's  
Not Fall  
Victims  
to Fraud  
Be Aware ”**



## RETAILER discounting

**W**e know that good marketing can help in achieving higher value of any products. It can help encourage people to pay the higher price for the product having art of words. If actual products do not match the claimed products, then after some time they will be refunded because everyone is smart in today life. We must know the original value of the product. And also we must know about the customers, what they will pay for the products. Therefore, we have discussed the three ways to clear this. If we have claimed about the product in the world market and the product is nowhere as well then we must accept that we do not have knowledge about the product. We must know what the customer is willing to pay for the products.

Another thing is price fixing, the way to make the price look lower and cheaper than it actually is. For example, we buy anything for 499 instead of 500. There is only a penny difference but it looks a little cheaper than 500. Sometimes we lower the price of one product so as to use it as a loss leader for another product. Thus we don't consider pricing with such products. For example, if we have a loss of product A then it should be imposed on product B so as to cover the loss. Then the price of product B should be increased.

India is a country of festivals. Any festival or event is an excuse for them. Each festival has its own set theme of discounts. Special discounts should be given in the summer fashion week for clothes.

We should lower the price of product for the following reasons:

- To recreate people's interest in the product.
- When we see the product is in decline.
- If we have a large amount of old product in the stock.

There are some discount strategies for the product:

### Event based discounting

India is a country of festivals. Any festival or event is an excuse for them. Each festival has its own set theme of discounts. Special discounts should be given in the summer fashion week for clothes. Then after I created a unique series of event that was celebrated in the month of September to November and for this season there should be a great rate of discounts for the products to attract the lots of attention of the customers. The best thing is that my members understand these events will take place. So they waited for the next one to see if I discount the price they

are interested in. Such an event will restart interest in my product, so I will return its price to the original value.

### Make the customer feel special

Treat the customer like they visited the outlet first time. Discounting the product to these special customers helps to keep them both happy and loyal. For this I have to use auto responders, which can easily check the best customers from what we have against a list of buyers for the product there is a discount. So for the people who have not purchased will see the offer. After that we encourage the buyer to buy the heavily discounted product. Everyone likes a discount and to feel special or valued. I assure them that they only have the discount as they have brought a lot of other products. It encourages them to support me further and assure they stay on this list first. When I use this technique, I always keep the full price on my sale page for a few weeks. So when so called our valued customer check this, they really feel special as they have given the discounted rate first. ▶



# DISTRIBUTOR DISCOUNTING



**DISTRIBUTOR DISCOUNTING** plays an important role in the market. As we all know that the goods at first sold to the distributor after they all sold it to the retailer and then retailers sold it to the customers. So be prepared to take 50-70% off the price when selling to the distributor, there must be margin for all. In reality, if we will not do like that then our products will not be sold in the market in regular basis. We need to work with our distributor regularly to keep them excited about the products and give them knowledge about the new products or something specials.

For this we can take the example for understanding. If we have any product of Rs 500 and the distributor want to buy it for Rs 450 then we will be out of business very soon if we do this deal. There must be two things that should happen if we have to do this deal. At first we have to reduce the cost which is only possible by increasing the volume or efficiencies or reducing the quality or size of the product. And the other we can raise our MSRP. In the first case we are not confirmed about anything so the simplest way of action is to raise the MSRP if we sell the average market price. It seems we can do distribution and make a little bit of money.

Distributor's discount pricing have the direct effect on the company and the distributor's profitability makes discount structures the most important element in the business relationship. At present most of the discount structures are not designed to support today's marketing strategies, thus need to be

re-modified. Many companies work on the design with a team approach. But many companies have individuals who work for their design. It is a well-known fact that every company wants their profit as much as they can. So they don't want to work for their product to give a better design, how to reduce the rate?

So why not to change the way in which distributor are compensated? Why not pay for the value what we receive? ▶

**Well designed distributor pricing structures helps in achieving marketing strategies:-**

- Increase market price
- Communicate with the values and strategies.
- Discipline and control marketing expenditure
- Acknowledge and reward channel excellence
- Establish a presence in the distribution channel
- Reduce cost.

## Consumer durable and non-durable goods

Consumer durable goods include items, like furniture, jewelry, and cars. Large appliances like stoves, washing machine are durable goods. Non-durable goods include food, medicines, and other consumables as well as the product that last a limited lifetime such as clothing, shoes, and small electronic devices.

Growth in other products like clothing and electronics indicates economic growth. The significance of changes in durable goods production and sales is more complex. Demand for durables like autos, and appliances were found to be driven by the disposable income, wealth, and exchange rates, availability of consumer credit, interest rates on consumer credit, demand for new housing, which affects appliances demand and population growth.

Demand for no durable goods such as groceries and clothes was driven by the same factors.

Except for new housing demand and the exchange rate. Demand for consumer services like laundry, restaurant, and entertainment services were found to be related to disposable income, wealth and population growth, but not related to consumer credit availability or consumer credit interest rates.

We can take the example of non-durable goods as let us suppose demand for the cigarette in the city is 10 lakh packets and it increases at the rate of half of total, then the demand for the cigarette for the next year will be 10.5 lakh and the next year it will be 11 lakh and so on. Now we can take the example of Durable goods. For example: Automobile. Let us suppose at present the total number of automobiles in the city is 5000. Annual replacement equals 10% of the total demand, then annual increase will be 500 and the total demand for the automobile for the next year will be 5500.

### Consumer rights and responsibilities

As a consumer we should know about our rights when we purchase anything from online or offline market:

#### When we buy anything online:

- When we buy anything that should be delivered timely
- We are entitled to a cooling off period
- Contracts must be clear and comprehensible
- We do not have to pay or accept for the goods if we didn't ask for that goods
- Sales incentives may not be false, misleading or deceptive

#### When we buy anything from the store:

- We must ask for the original bill, most customers don't ask for the bill; this must not happen.

#### As a consumer we should have some responsibilities when we buy any product:

- Before buying any product we must compare and do research about the product.
- We have to check the qualification of the service providers, whether he is qualified or not.
- We have to follow and read the instructions carefully.
- We have to check the items, whether it is same for which we have asked for or not, then after we will pay. ▀

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