MASTER NOTES | ALL SIX CLASSES | CONCEPTS, FIGURES, PRACTICE MCQs + EXAM CHEAT CODE

Marketing Management

Master Notes - The Whole Module in One Book: the Marketing Plan, Buyer Behaviour, Customer Research, Segmentation and Targeting, Positioning, and Brand Management

ABOUT THESE MASTER NOTES

This book brings together the notes of all six classes of the module taught by **Prof. Ritu Mehta** to EPBM-32, from the orientation class on campus to the session of 15 November 2026. It keeps everything the session notes contained - every explanation, classroom experiment, example, figure and manager's takeaway - in the order it was taught, so that the classes read as one story: what marketing is and how a plan is built, how buyers decide, how to find out what they want, whom to serve, what a brand should stand for, and how a strong brand is built. It is written for someone new to marketing: plain words first, a familiar example before any framework, and what each idea means for a product business and for a service business. Case studies appear only as the lessons the class drew from them. Each session ends with about 30 practice questions; Part 6 adds the standard frameworks the classes did not reach; a mixed bank of 120 more questions follows; and the book closes with an Exam Cheat Code.

00 Session 0: The Marketing Mindset

01 Session 1: Influencing Customers' Buying Behaviour

02 Session 2: Understanding Customers

03 Session 3: Market Segmentation and Targeting

04 Session 4: Positioning

05 Session 5: Brand Management

06 Completing the Toolkit: standard frameworks beyond the classes

07 Mixed Question Bank: 120 questions across the module

08 Exam Cheat Code: formulas, frameworks, examples, traps

302 Practice questions in all, each with its reason

52 Figures, numbered by session

32 Frameworks, each reduced to one line

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THE WHOLE MODULE IN SIX QUESTIONS

Session 0: What is marketing, and how is a marketing plan built? **Session 1:** How do buyers really decide, and how can a marketer use it? **Session 2:** How do we find out what customers want, and where does research go wrong? **Session 3:** How do we divide a market, and whom do we choose to serve? **Session 4:** What should the brand stand for in the customer's mind? **Session 5:** How is a strong brand built, stretched and looked after? If you can answer these six in your own words by the last page, the notes have done their job.

i How to Read These Notes

These notes are long because nothing has been left out. They are also built so that you never have to read all of it at once. Every section tells its story in plain words, shows the framework, and closes with a dark box saying what the idea means on a manager's desk. Pick the route that matches the time you have.

If you have	Read this	What you will have at the end
A weekend - the full read	Sessions 0 to 5 in order, figures included, then Part 6. Do the practice questions after each session before moving on.	The whole module as one story, and the fundamentals of marketing in one place
Ninety minutes - revision	The light boxes in each section, and the One-breath Summary that closes each session's "Manager's Desk" section.	Every idea refreshed, without the examples
The evening before the exam	The Exam Cheat Code at the back, then the Mixed Question Bank - reading the reason under each answer.	Formulas, frameworks, examples and traps at your fingertips
Ten minutes before a meeting	The dark Manager's Takeaway box of the section you need, and the session's manager's checklist.	What the idea means for a product or a service business

The colour key

The same few building blocks are used on every page. Once you know them, you can find what you want by colour.

2.05 A section title

Section banner. A new topic. The number is session.section, so 2.05 is Session 2, Section 05. Text and questions refer to sections this way.

KEY IDEA / GOOD TO KNOW

Light box with a teal bar. The idea itself: a definition, a rule, a worked example - or a "Good to know" that checks a fact or goes one step beyond the class.

MANAGER'S TAKEAWAY

Dark teal box. What the idea means at work, always with one example from a product business and one from a service business.

CONCEPT TRAP

Navy box. A mistake that is easy to make - two terms that sound alike, a label put on the wrong thing.

"A line from class."

Light box in italics. A line worth remembering from the class, paraphrased from the recording, or quoted from a slide where it says so.

Column	Column
Row label	entry

Table with a teal header. Comparisons, lists of examples, and class exercises with their answers.

Figure 2.5: what the picture shows

Figure. Every diagram is numbered session.figure and has a one-line caption saying what to take from it.

Answer: (b) - the reason, in one line

Practice question. Four close options; the shaded strip gives the answer and the reason.

The module at a glance



PART 6 - COMPLETING THE TOOLKIT (added; not class material)

The buying process, the four Ps in depth, services, five forces, the BCG matrix, brand equity, metrics

Figure i.1: The six classes follow the order in which a marketing plan is built.

Part	The question it answers	The idea to keep	Page
Session 0	What is marketing, and how is a plan built?	Start from the customer; 5Cs, then STP, then the 4Ps, all aligned; customer lifetime value	4
Session 1	How do buyers really decide?	Six shortcuts, from anchoring and framing to the decoy and mental accounting	42
Session 2	How do we find out what customers want?	Research what people do, not only what they say; involvement; the Ansoff matrix	67
Session 3	How do we divide a market, and whom do we serve?	Segment on value, then profile; target what is attractive and compatible	90
Session 4	What should the brand stand for?	Target plus difference; parity and difference; repositioning is hard	117
Session 5	How is a strong brand built and managed?	Four challenges; extension depends on fit; branding approaches; pruning the portfolio	140
Part 6: Toolkit	What else should a manager know?	The 4Ps in depth, services, five forces, BCG, brand equity - not class material	164
Question Bank	Can I answer when topics are mixed up?	120 questions from Sessions 0 to 5, each naming the section to revise	184
Cheat Code	What must I recall in the exam hall?	Formulas, frameworks, confusable pairs, examples, numbers, traps	205

FIVE SMALL THINGS TO KNOW

Finding your way. Each part opens with a list of its sections and page numbers, and the PDF has a bookmark for every section. **Cases** are not retold: each appears only as the lessons the class drew from it. **Facts** are as given in class or on the slides; where the record differs, a Good to Know box gives the checked version. **Session 2** was partly unrecorded; those sections are rebuilt from the slides and say so. **Part 6** is the author's addition; the Question Bank and Cheat Code do not use it. Quoted lines are paraphrased from the recordings unless marked as from a slide.

SESSION 0 | ORIENTATION

The Marketing Mindset

Why Marketing Matters, What It Is, the 5Cs - STP - 4Ps Plan, Reading a Case, and What a Customer Is Worth

Orientation class on campus, IIM Calcutta (Joka) | Prof. Ritu Mehta

WHAT THIS SESSION COVERS

The foundations of the whole module. Why a firm with a good product can still be invisible, and how Samsung fixed that; how thinking about markets moved from the factory to the customer; the official definition of marketing; and the three frameworks every marketing plan is built from - the 5Cs to read the situation, STP to choose the strategy, and the 4Ps to carry it out - and why they must line up. Then two stories of things not lining up (the Tata Nano and the Axe case), the product life cycle, the three kinds of value a customer looks for, and how a firm works out what one customer is worth over a lifetime.

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0.02	From the Factory to the Customer	6	**0.12**	Great Product, Wrong Fit: The Tata Nano	21
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0.04	The Opening Exercise: Pricing a Smartphone	9	**0.14**	Lessons from the First Case: A Leader Losing Its Magic	24
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0.01 Why Marketing Matters: The Samsung Story

In 2011 Samsung was already one of the largest electronics makers in the world. Its televisions were in living rooms everywhere and its smartphones were genuinely good. Yet when Todd Pendleton joined that year as chief marketing officer of Samsung's American business, he later testified that he had not even been aware the company made smartphones. If the man hired to market the phones had not noticed them, the customer certainly had not. People knew Samsung for televisions; in phones, he said, there was no recognition of what the product was or what it stood for.

Within about a year that changed completely. In 2012 the Galaxy S III briefly outsold the iPhone and became the best-selling smartphone in the world. When the New York Times reported his testimony in 2014, the

headline on the professor's slide read: *"Samsung Executive Says Marketing Drove Phone Sales to No.1"*. The phones had been good all along. What changed between 2011 and 2012 was marketing.

The professor asked the class exactly that question - what changed? - and then played the answer. Samsung ran a campaign called **The Next Big Thing**. In the ad the class watched, a long queue of people waits for hours outside a store for the new iPhone, talking themselves into the wait. People walking past are using a Samsung Galaxy: a bigger screen, 4G speed. The people in the queue grow curious, then envious - and one of them can't quite admit he would ever buy a Samsung. The series poked fun at Apple fans, went viral, and put Samsung on the smartphone map.

> **KEY IDEA: A GOOD PRODUCT IS NOT ENOUGH**
>
> A product that customers have not heard of, or cannot place in their minds, does not sell. Samsung did not reinvent its phones between 2011 and 2012; it changed what people knew and felt about them. Marketing is the work of making a product **mean something** to the customer it is meant for.

Who mocks the leader? The challenger's playbook

A participant called the campaign "disruptive marketing". The professor turned it into a question: which kind of company runs ads that take a swipe at a rival - the market leader or the challenger? The **challenger**. Comparative advertising is the tool of the brand that is behind. It grabs attention fast, and it borrows the leader's fame: every time the ad mentions the iPhone, Samsung gets to stand next to it in the customer's mind. A leader rarely does this, because naming a smaller rival only gives the rival free publicity.

Keep this in mind for Section 0.15. Attention-grabbing - even offensive - advertising is typical of the **introduction stage** of a product's life, when the only job is to get noticed. It stops working once the brand needs customers to actually like it.

> **CONCEPT TRAP: MARKETING IS NOT ADVERTISING**
>
> **The Samsung story is told through an ad campaign, but the professor was careful to say that marketing is far more than one ad. It is every decision about the product, its price, where it is sold and how it is promoted - and, before all of these, the choice of whom to serve. The ad worked because it sat on top of a good product, a clear target (people who wanted a big screen and speed) and phones that were easy to find in shops.**

> **MANAGER'S TAKEAWAY**
>
> **A better product does not announce itself. A product company with a feature the leader lacks can use comparison, as Samsung did, to get onto the customer's shortlist. A service business faces the same problem in a harder form, because its product cannot be seen in a shop window: a managed security provider with an excellent monitoring centre stays invisible until it can say in one sentence what it stands for - and get that sentence into the buyer's head.**

0.02 From the Factory to the Customer

Picture three generations of the same sweet shop. The grandfather, a hundred years ago, had the only halwai in town. Whatever he made by evening was gone by night; his only problem was making enough. His son faced ten sweet shops on the same street. He made what he was good at and then had to push it - a boy at the door calling people in, discounts at festival time, a little pressure at the counter. The granddaughter runs the shop today. She starts by asking who walks down the street, what they want (sugar-free for the diabetic uncle, small boxes for office gifting, kaju katli that travels well to Dubai), and only then decides what to make. Customers now come in asking for her boxes by name.

Those three generations are the three ways businesses have looked at the marketplace, which the professor's slide laid out in order.

Approach	Era	The belief behind it	The sweet shop version
The production concept	1890s - 1920s	Customers want products that are available and affordable. Make them efficiently and they will sell.	The grandfather: the only shop in town; the job is to make enough.
The selling concept	1920s - 1950s	Customers will not buy enough on their own. They must be persuaded. This is **push**.	The father: too many shops, so push what you make with offers and pressure.
The marketing concept	1950s - present	Find out what customers need and value, and build the offering around it. This is **pull**.	The granddaughter: start with the customer; they come asking for you.
The societal marketing concept	1980s - present	Satisfy customers in a way that also protects the long-term interests of society.	Less sugar, no plastic boxes, honest labels - because the town is watching.

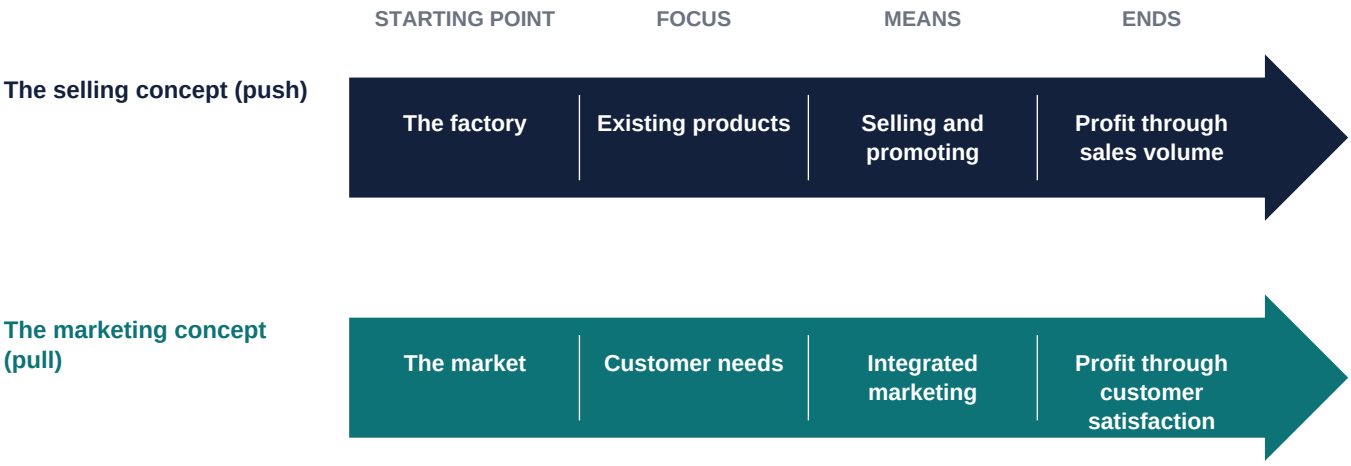


Figure 0.1: The selling concept starts from the factory and pushes; the marketing concept starts from the market and pulls.

The two arrows in Figure 0.1 come straight from the class slide. Read them left to right. The selling concept begins in the factory with products that already exist, uses selling and promotion as its means, and hopes to make money through **volume**. The marketing concept begins in the market with customer needs, uses every

part of the business together (integrated marketing), and makes money through **customer satisfaction** - the customer who comes back and tells a friend.

Drucker's two sentences

The professor anchored the shift with Peter Drucker, the management thinker. In 1954 he argued that there is only one valid purpose of a business: **to create a customer**. What a business thinks it produces matters far less than what the customer thinks he is buying and what he counts as value - that decides what the business is, what it makes, and whether it survives.

> *"The aim of marketing is to make selling superfluous."*
>
> **Peter Drucker, on the class slide**

Drucker did not say selling disappears; he said there will always be some need for it. His point was that if you understand the customer well enough, the product fits him so well that it nearly sells itself. Ideally, marketing produces a customer who is ready to buy, and all that is left is to make the product available. That is the meaning of **pull**: demand comes looking for you.

> **PUSH AND PULL IN ONE PICTURE**
>
> **Push:** a salesman going door to door with a vacuum cleaner the family never asked for. **Pull:** a customer walking into a kirana store and asking for a particular brand by name. Push works on the customer; pull works because of what the customer already wants.

CONCEPT TRAP: SALES IS NOT MARKETING

When participants later listed the 4Ps as "sales", the professor stopped them: sales falls under marketing; it is just one part of it. Selling starts with what the firm has made and looks for a buyer. Marketing starts with what the buyer needs and shapes what the firm makes, prices, places and promotes.

MANAGER'S TAKEAWAY

Ask which arrow your business lives on. A product company that measures success only by units pushed into dealers is on the selling arrow, and discounts will become its habit. A service company that measures renewals and referrals is on the marketing arrow. A security operations team that keeps selling more alerts to a customer who wanted fewer, better ones is pushing; one that asks what the plant manager actually loses sleep over is pulling.

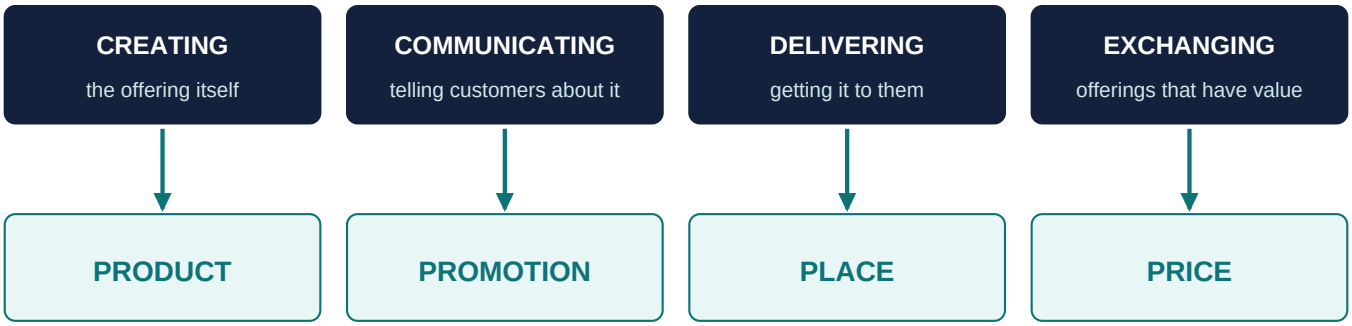
0.03 What Is Marketing? The Official Definition

The professor opened with a challenge rather than a definition: by the end of the module, each participant should be able to write a better definition of marketing - in their own words - than the one they walked in with. She admitted that definitions are the boring part ("like the 3 Idiots scene - what is a machine?"), but showed why this one is worth a few minutes.

The official definition comes from the **American Marketing Association (AMA)**. It is not written by one author. Every few years a group drawn from industry and academia meets, debates whether the role of marketing has changed, and revises the wording only if it has. The first official definition dates from the 1930s. The current one was adopted in 2007, and the AMA has not felt the need to change it since. The one before it was from 2004. Putting the two side by side shows how the idea of marketing has grown.

Element	2004 definition	2007 definition (current)	What the change means
What marketing is	An *organizational function* and a set of processes	An *activity*, a set of institutions, and processes	No longer a department. It is a verb: anyone can do it - even a person preparing a CV is marketing himself.
What it does	Creating, communicating and delivering value; managing customer relationships	Creating, communicating, delivering and **exchanging** offerings	"Exchanging offerings that have value" brings in price: value is traded, not just handed over.
Who benefits	The organization and its stakeholders	Customers, clients, partners and **society at large**	Society was implied before; now it is explicit. This is the societal concept of Section 0.02 written into the definition.

Look closely at the four verbs in the current definition. The professor asked the class what each one refers to, and the answer turns the definition into a framework you will use for the rest of the module.



The four verbs of the 2007 definition are the four Ps in disguise.

Figure 0.2: Creating, communicating, delivering and exchanging map onto Product, Promotion, Place and Price.

And the very first definition, from the 1930s? It described marketing as the business activities that direct the **flow of goods and services from producers to consumers**. In 4P terms that is almost entirely **Place** - getting the product to where the customer is. Over eighty years the definition widened from moving goods to creating value for the customer and for society.

CONCEPT TRAP: COMMUNICATING IS NOT ONLY ADVERTISING

When a participant said "communicating" meant advertisement, the professor corrected him: not only advertising. It covers every way a firm talks to customers - sales promotion, packaging copy, the salesperson, social media, the store. Equally, "marketing" in the 2007 sense is not a department: the engineer who designs a feature customers love is doing marketing too.

GOOD TO KNOW - DATES AND WORDING

The professor recalled the first definition as 1937. Most histories date it to 1935, when it was written by the National Association of Marketing Teachers, a forerunner of the AMA, which adopted it in 1948. The 2007 definition was reviewed and reaffirmed by the AMA in 2017. **For the exam, remember the direction of change:** from a function to an activity, from delivering value to exchanging offerings, and from the organization to society at large.

MANAGER'S TAKEAWAY

If marketing is an activity and not a department, every function owns a piece of it. In a product company the service engineer who fixes a machine on the first visit is creating and delivering value as surely as the brand team. In a service company the analyst who writes a clear incident report is communicating the offering every week. Ask of each team: which of the four verbs do they perform?

0.04 The Opening Exercise: Pricing a Smartphone

Before any framework appeared on the screen, the professor set a problem. You are launching a new smartphone. How will you decide its price? What will you look at? Participants called out factors, and the board filled up quickly.

Factor raised in class	What it means
Competitors' prices	Where rival phones with similar features sit.
Market gaps	Price bands or needs that no phone serves well yet.
USP / differentiation	The unique selling proposition - what this phone does that others do not.
Target customers and willingness to pay	Who the phone is for, and what they would pay for its unique features.
Brand name and brand value	What the name on the back of the phone is already worth - or not, if it is new.
Demand and its elasticity	How strongly sales respond to price (discussed below).
Distribution route	Online, through retailers, or direct to the consumer - each passes on a different margin.
Durability	How long the phone lasts, which shapes value for money.

Factor raised in class	What it means
Target margins	The margin the company wants for itself.
Costs	Production, R&D, and marketing and advertising costs.
Country and geography	Which market - prices and buyers differ by country and even by city.
Seasonality	Raised later for products whose demand rises and falls with the season.

Does price follow demand, or demand follow price?

One participant suggested looking at demand: if demand is elastic, price low; if it is inelastic, like Apple's, you can charge whatever you like. The professor first reminded the class that this was a **new** brand and a new product - nobody should assume Apple's pricing power. Then she asked a sharper question: does demand govern price, or does price govern demand?

The answer the class reached is that demand is not a separate input you look up before setting the price - demand **changes with** the price you set. What a manager really needs to know is the threshold: the price above which customers walk away. How do you find it? By looking at what competitors charge, at the USP, and at what the target customer is willing to pay for that unique feature. Those are the things you can actually study.

Distribution changes the price

A participant pointed out that how you distribute matters, and the professor agreed strongly. Every middleman - distributor, wholesaler, retailer - needs a margin, and that margin sits inside the price the customer pays. Going **direct to consumer (D2C)** can lower the price point; going through the regular channel adds cost but buys reach. Many new consumer brands, cosmetics in particular, started D2C online and only later moved into shops.

The slides carried a striking example from the other end of the market. In June 2021 Mercedes-Benz announced that it would sell cars in India directly to customers - an industry first - under a plan called **Retail of the Future**, part of its "Reimagine Excellence" programme.

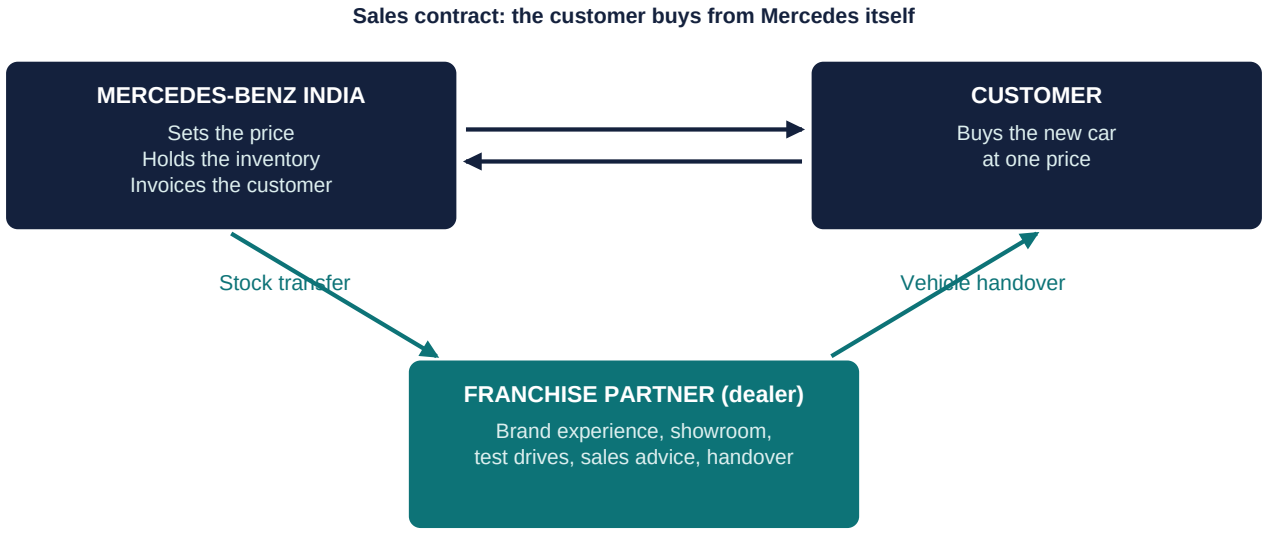


Figure 0.3: Mercedes-Benz India's direct-to-consumer model - the company sells and invoices; the dealer becomes a franchise partner that delivers the experience.

Under the old model, each dealer bought cars and sold them at its own price, and customers haggled from showroom to showroom. Under the new one, Mercedes-Benz India sets one price, holds all the inventory and invoices the customer itself. Dealers become franchise partners who provide the showroom, the test drive, the sales advice and the handover, and compete only on the quality of the customer experience. The company said the change would pass on benefits of Rs. 1-2 lakh on the selling price, and it reported orders worth about Rs. 825 crore in less than a month. A decision about **Place** changed the **Price**.

Then the professor made the point of the whole exercise. Many in the room had missed distribution entirely - an important driver of price. Others had missed context: the state of the economy, the country, the regulations. Nobody missed these things through lack of intelligence. They missed them because they were listing factors from memory, with no structure.

WHY FRAMEWORKS EXIST

A framework is a checklist that stops you missing things. Listing factors from memory, a smart group still forgot distribution. Run the same problem through a framework and distribution cannot be forgotten, because the framework has a box for it. That framework is the 5Cs.

MANAGER'S TAKEAWAY

Price is an output of many decisions, not a number picked from a competitor's tag. A product company that adds a distributor layer must find that margin somewhere - from the customer or from itself. A service company selling through channel partners or system integrators faces the same arithmetic: the partner's share is part of the price the end client sees, so the channel decision and the pricing decision are one decision.

0.05 The 5Cs: Reading the Situation

The 5Cs is a very general framework that can be applied to almost any marketing problem - pricing a phone, launching a cereal, entering a new city. Before deciding anything, it asks you to look in five directions. The professor drew the Cs out of the class one by one.

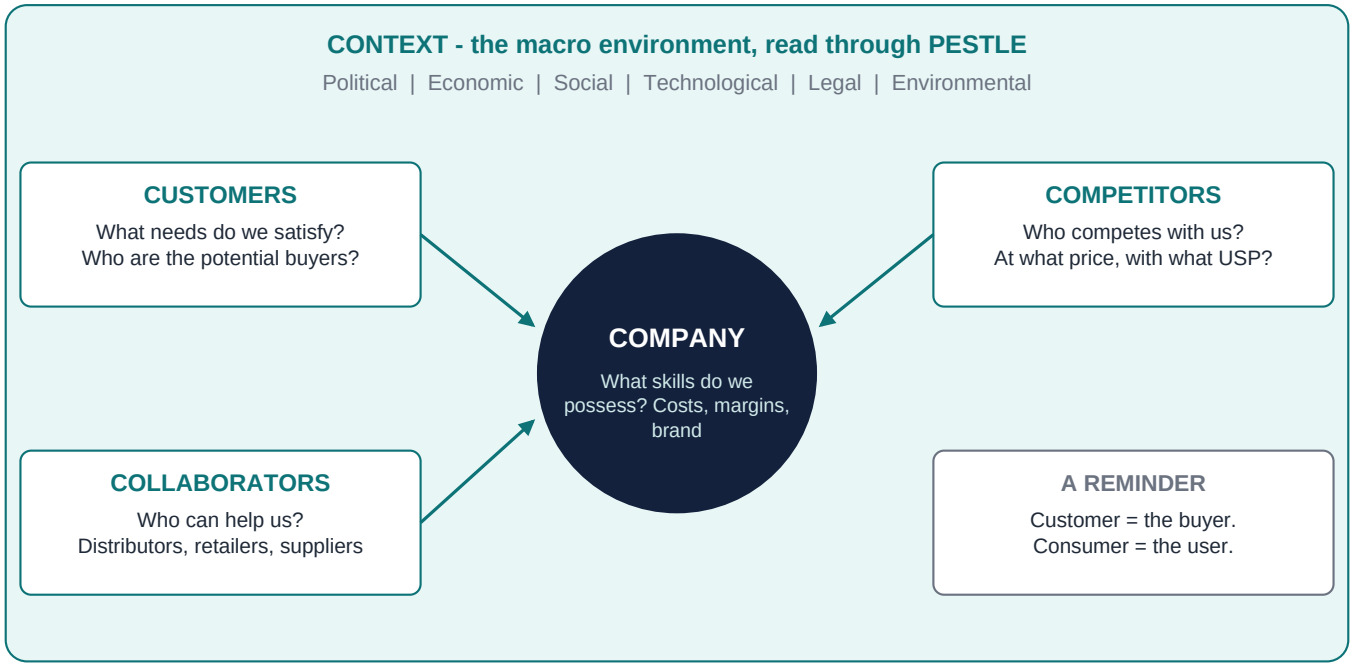


Figure 0.4: The 5Cs - four players inside the wider context. Each C comes with one question from the class slide.

The C	The question on the slide	What to look at
Customers	What needs do we satisfy? Who are the potential buyers?	Their needs, how much they are willing to pay, which features they value most.
Company	What skills do we possess?	Strengths, costs (production, R&D, marketing), target margins, brand image.
Collaborators	Who can help us?	Distributors, retailers, suppliers, agencies - and what will motivate them to partner with you.
Competitors	Who competes with us?	Their prices, products, USPs and likely reactions.
Context	PESTLE analysis	The macro environment the whole industry works in (Section 0.06).

Notice where distribution falls: under **collaborators**. Distributors and retailers do not work for you; they choose to partner with you. You have to incentivize and motivate them - with margin, support, exclusivity - and that cost feeds straight back into price. Once the 5Cs is in front of you, the factor the class missed has an obvious home.

Customer or consumer?

A participant used the two words interchangeably, and the professor separated them. The **consumer** is the person who actually uses the product. The **customer** is the person who buys it. They are often the same person, but not always: a mother buys the cereal her child eats; a company buys laptops its staff use. Marketing has to understand both - the buyer pays, the user decides whether the product is any good.

Some factors sit in two Cs at once

The class then placed its own pricing factors into the 5Cs, and found that some belong in two places. That is not a flaw in the framework - it is the point.

Factor from the exercise	Which C	Why
Production, R&D, marketing costs; target margins	Company	They are the firm's own numbers.
Features	Company **and** Customer	What a feature costs the company to provide, and what customers will pay for it. Companies sometimes build great features that customers are simply not willing to pay for.
Brand image	Company **and** Customer	The image the firm holds - and, for an existing brand, the image already in customers' minds.
USP	Company **and** Customer	The firm's difference matters only if customers value it.
Distribution	Collaborators	Channel partners must be motivated to carry the product.
Competitors' prices	Competitors	The reference points customers will compare you with.
Economy, country, regulation	Context	Forces outside any single firm's control.

Why engineers struggle with marketing

Midway through, the professor asked how many in the room were engineers. Most hands went up. "You are going to be in big trouble in my module," she said, only half joking. Engineers like to solve equations and arrive at one answer to the decimal point. Marketing is the other way round: there is rarely a yes or no, rarely a single right answer.

> *"Marketing is not black and white. You have to start appreciating shades of grey."*
>
> **The professor, paraphrased from the class**

MANAGER'S TAKEAWAY

Run the 5Cs before every launch, price change or market entry - it takes ten minutes and catches the factor nobody mentioned. For a product firm the C most often forgotten is collaborators: the dealer who will not push your product because a rival pays a better margin. For a service firm it is often the customer-versus-consumer split: the CFO signs the contract for a security service, but the plant engineers who live with it every day decide whether it is renewed.

0.06 PESTLE: Reading the Context

The fifth C, context, is large enough to need a framework of its own. It is the macro environment the whole industry works in - nothing a single firm can change, but everything it must read. The class unpacked it with **PESTLE** (sometimes written PESTEL).

Letter	Covers	Smartphone example from class	Breakfast cereal example
P - Political	Government stability, policy, trade relations	Launching in a neighbouring country? Check how stable the government is.	Import duties on ingredients; state food policies.
E - Economic	Growth, incomes, inflation, interest rates	If the economy is weak, is this the time for a high-end phone?	Food inflation raising the cost of grain and milk.
S - Social	Trends, habits, values, demographics	Changing usage habits of young buyers.	People moving towards organic and health-conscious eating - and willing to pay for it.
T - Technological	New technology that changes the product or market	5G versus 4G: will a 4G phone look outdated at launch?	Packaging that keeps cereal fresh longer.
L - Legal	Laws, standards, norms	Safety, emission and certification norms for devices.	Food safety and labelling rules.
E - Environmental	Climate, sustainability, waste	E-waste rules and recycling expectations.	Plastic packaging rules; monsoon and crop risk.

The professor's practical advice: you need not work through all six letters with equal care for every problem. Pick the ones that matter for this product and this market, and put more weight on them. For a breakfast cereal, social trends deserve real attention; for a smartphone, technology does.

MANAGER'S TAKEAWAY

PESTLE is the part of planning most often skipped because it feels like general knowledge. A product company that ignored the 5G rollout or an e-waste rule can find its inventory stranded. A service company reads the same forces as shifts in what clients must buy: a new cybersecurity regulation for critical infrastructure, for instance, turns a nice-to-have monitoring service into a compliance requirement overnight.

0.07 Same Framework, Any Product

Having worked through the smartphone, the professor changed the problem. You are now launching a **new breakfast cereal**. How would you decide its price point? Participants offered competition, value, raw material prices, additional features. Then she asked: how different is this exercise from the smartphone? Someone said, very different. Why?

It turned out not to be very different at all. The **framework stays the same**; what changes is where you put the emphasis. A cereal is perishable, so shelf life enters the cost picture; it may be seasonal; social trends like health and organic eating weigh heavily in its context. A smartphone brings technology and product life to the front instead. That is the beauty of frameworks: they are very generic, and with a little tweaking at your end they apply across problems.

	Smartphone	Breakfast cereal
Customers	Features valued, willingness to pay for them	Health benefits valued; who buys versus who eats
Company	R&D cost, brand, margins	Raw material cost, perishability, shelf life
Collaborators	Online versus retail versus D2C	Modern trade, kirana stores, distributors with cold or dry storage
Competitors	Rival phones in the same price band	Existing cereals, and also poha, idli and parathas
Context - heaviest letter	Technological (5G vs 4G)	Social (health and organic trends)

KEY IDEA: FRAMEWORKS TRAVEL

The 5Cs and PESTLE do not belong to any industry. If a product has seasonal demand, give that more weight; if it is perishable, look harder at costs and collaborators. The skill is not memorising the list - it is knowing which boxes matter most for the problem in front of you.

MANAGER'S TAKEAWAY

A manager who has learned one framework well can enter an unfamiliar category without panic. Moving from consumer electronics to packaged food, or from IT services to industrial security services, the questions do not change - only the answers and the weights do.

0.08 What Does a Marketing Manager Decide?

The next question sounded simple: on a day-to-day basis, what **decisions** does a marketing manager take? The professor insisted that every answer be framed as a decision. "Communication" is not a decision; "which language to communicate in" is. That one rule sorted the class's answers into two piles.

Answer from class	As a decision	Comment
Production and demand	How much to produce?	Marketing gives estimates to production periodically - not a daily marketing decision.
Market selection, geography	Which markets and segments to enter?	A real decision (targeting).
Target audience	Which customers to serve?	A real decision (targeting).
Advertising	How, where and on which platform to advertise?	A real decision (promotion).
Positioning	How do we want the brand to be seen?	A real decision (positioning).
Promotions	Which offer or discount to run this week?	A real decision (sales promotion / price).
Distribution	Which channel, which distributor?	A real decision (place).
Budget	How much to spend, and where?	A real decision (promotion budget).
Acquisition cost	How much to spend to acquire a customer?	A real decision - and the root of CLV (Section 0.18).
Packaging	What packaging to use?	A real decision (product).
Launch timing	When to launch, and when to pull out?	A real decision - timing and duration in the market.
Features	What features and capabilities to offer?	A real decision (product).
Communication	In which language, with what message?	A real decision (promotion).
Identifying the USP	How to differentiate?	A real decision (positioning).
Competitor analysis, market research	-	**Not decisions.** Activities that feed decisions. The professor's question back: to take what decision?
Revenue tracking	-	**Not a decision.** A measurement.

CONCEPT TRAP: AN ACTIVITY IS NOT A DECISION

Market research, competitor analysis and revenue tracking are important, but they are inputs. Every time a participant offered one, the professor asked: to take what decision? A good marketing plan is a list of choices - whom to serve, what to offer, at what price, through whom, with what message - and everything else exists to inform those choices.

A participant then asked the professor to sort the decisions into a framework, and two frameworks fell out of the list: STP and the 4Ps.

MANAGER'S TAKEAWAY

Review your own marketing plan and underline the decisions. If most of the page is activities - "conduct research", "analyse competitors", "track performance" - it is a to-do list, not a plan. This holds for a product launch and for a service proposal alike: the client wants to know what you chose and why, not how busy you were.

0.09 STP and the 4Ps

The slide titled **Marketing Management - The Plan** put the whole module on one line: developing the action plan to create value involves three key activities - situation analysis (the 5Cs), developing strategy (STP) and designing tactics (the 4Ps).



Figure 0.5: The marketing plan - read the situation, choose the strategy, then design the tactics.

STP: the strategy

Step	What it means (from the slide)	Example
Segmentation	Identifying groups of customers with similar characteristics, preferences or behaviour (segments).	Divide India by geography - north, south, east, west - or by age, income or usage.
Targeting	Deciding which segments to serve.	One segment, a few, or all of them. "Market selection" belongs here.
Positioning	Developing a distinct image in the minds of target customers.	The image you want to own: value, luxury, innovation, safety. Differentiation and the USP support it.

The 4Ps: the tactics (the marketing mix)

The slide called the 4Ps the **exchange facilitators**: the tools that make the exchange between firm and customer happen. The professor placed the class's decisions into them.

P	Decisions it covers	Class decisions that belong here
Product	Features, quality, variants, packaging, brand	Features and capabilities; packaging
Price	List price, price points, discounts, payment terms	Launch price; discount offers
Place	Channels: where and how the customer can buy	Distribution; which distributor; online or retail
Promotion	Advertising **and** sales promotion; media; budget	Where and how to advertise; campaigns; budget

CONCEPT TRAP: PLACE MEANS CHANNELS, NOT MARKETS

A participant put "market selection" under Place. The professor corrected it: Place refers to channels - how the product reaches the customer. Choosing which market to enter is targeting, part of STP. Likewise, packaging belongs to Product (some argue it is so important it should be a fifth P, but the class did not go there), and "how to differentiate" belongs to positioning.

GOOD TO KNOW - MORE PS FOR SERVICES

Someone suggested "People". The professor noted that people do matter - and that a later session on services covers them. In services, the mix is usually extended to **7Ps**: the original four plus People, Process and Physical evidence, because a service is produced and consumed in the same moment, by staff the customer can see.

MANAGER'S TAKEAWAY

Keep two separate pages in any plan: one for the strategic choices (who, and what image) and one for the mix (what, at what price, where, with what message). A product team that argues about price before agreeing whom it is for will argue forever. A service team pitching to a new client sector should settle the segment and the positioning first; the service catalogue and rate card follow.

0.10 Which Comes First? STP Before the 4Ps

Is there an order to these decisions? Most of the class answered quickly: STP first. One participant argued for product first - surely you need a product before you can choose whom to sell it to? The professor treated this as a fair point and drew a useful line.

The **broad product idea** - we are entering the SUV market, not the sedan market - is a business decision taken with people from many functions, not by the marketing manager alone. Within that, the marketing manager's product decisions are more specific: what kind of airbags, what music system, which features. Those come **after** the segment and positioning are clear, because they have to serve them.

	STP	The 4Ps
Nature	Strategic	Tactical / operational
Time horizon	Long term	Shorter term, adjusted often
How easy to change	Hard and risky - an image takes years to build	Easier - a price can move with competition
Role	Decides whom you serve and what you stand for	Delivers that choice in the market
Inputs	The 5Cs	The 5Cs, and the STP choices already made

Positioning is strategic because it must be **consistent**: the same image has to show up in every ad, in where the product is sold, in how it is priced and packaged, for years. A price, by contrast, can be changed next month if a competitor moves.

Repositioning: very risky territory

Changing a brand's positioning once it is established is called **repositioning**, and the professor called it very risky territory. Once customers hold an image of a brand, moving it is slow, costly and often fails. Many case studies are about brands that spent heavily to change their image and did not succeed.

Her example was **Maruti**. What does Maruti stand for in India? The class answered at once: economy, value for money, low maintenance. When Maruti tried to stretch into a lifestyle off-roader with the **Jimny**, it struggled - an established image of sensible economy does not easily carry a car bought for adventure and style. (A participant noted he liked the Jimny - which is exactly the point: a good product does not overcome a positioning mismatch for most buyers.)

> **GOOD TO KNOW - THE JIMNY IN NUMBERS**
>
> The five-door Jimny was launched in India in mid-2023. Domestic sales were widely reported to be far below early expectations, and dealers offered large discounts to move stock, even as exports from India did well. Treat this as background, not class material.

CONCEPT TRAP: REPOSITIONING IS NOT A NEW AD CAMPAIGN

It is tempting to think a brand can be repositioned by changing its advertising. The image sits in customers' minds, built by years of product, price, place and promotion together. Changing one ad rarely moves it; changing it properly means changing much of the mix - and spending heavily with no guarantee.

MANAGER'S TAKEAWAY

Get positioning right the first time, because the second time is expensive. A product company entering a premium segment under a value brand should ask whether a separate brand is safer. A service company known as the low-cost option will find it hard to sell a premium advisory practice under the same name without changing who delivers it, how it is priced and where it is sold.

0.11 Everything Must Line Up: Apple and Samsung

To show what alignment means, the professor asked a very local question. Sitting on the Joka campus, if you wanted to walk into a store and hold the latest iPhone before buying it, how far would you have to travel? The answers ran to well over ten kilometres, to a mall in the city, to a store selling Apple products. And a Samsung? Much closer - almost any mobile shop or electronics chain would have one.

Is one of these strategies good and the other bad? Neither. Each **follows from its own STP**.

	Apple	Samsung
Target	Premium customers	Customers at many price points
Positioning	Innovation and a controlled customer experience	A phone for everyone, from flagship to budget
Product	A narrow range of premium models	A wide range across price bands
Price	High at launch	Spread from premium to entry level
Place	Few, tightly controlled outlets - Apple's own stores and selected authorised resellers	Everywhere - multi-brand chains, electronics stores, neighbourhood mobile shops, online
Why Place looks like this	Control over the experience protects the image	Lower-priced models need mass availability to sell

Apple wants to own customer experience and innovation, so it wants control, so it keeps distribution narrow. Samsung sells phones at many price points, so it must be available wherever those customers shop. Product, price, place and promotion all have to be aligned to the brand's STP: who the target is and what image it wants.

> *"There is no right or wrong. If your targeting and positioning are clear and everything is well aligned, it works."*
>
> **The professor, paraphrased - the line she repeated through the class**

The great product nobody was targeting

The professor warned of a common pattern: a company builds a great product and only then starts wondering whom to sell it to, believing that because the product is so good it will sell on its own. A participant asked for an example of a product that was great but still failed. The professor suggested looking up a small car Ford built (she named the SportKa): a well-made car that did not have a clear segment strategy. Then she offered a closer-to-home example: the Tata Nano.

MANAGER'S TAKEAWAY

Before approving any single P, check it against the STP. A premium product sold through a discount channel, or a budget product advertised as a luxury, confuses customers and wastes money. A service firm positioned on deep specialist expertise should not be selling through a generic reseller's rate card. Alignment matters more than any one brilliant decision.

0.12 Great Product, Wrong Fit: The Tata Nano

Why did the Tata Nano fail? The first answer from the class was the one most people give: it was positioned as the cheapest car. The professor pushed further. Did Tata **intend** to position it as the cheapest car? And how would you even know what positioning a company intends?

You look at its **communication** - what the company says about the brand in its own advertising. So the class looked at the Nano's launch communication. Who was the target? Lower-middle-income families; small towns, villages and smaller cities; small families; and above all people who did **not** yet own a car - families riding a two-wheeler who would move up to four wheels. And what did the ads stress? That the car was surprisingly spacious and robust. Not that it was the lowest-priced car.

So where did "cheapest car" come from? It came from the media. Because the Nano really was the lowest-priced car in the world, it drew enormous attention. Ratan Tata was interviewed constantly, by Indian and international media, about the Rs. 1 lakh car. The coverage, not the company, fixed the image: a poor man's car. And in India a car is an aspirational purchase - a status symbol. Nobody wants to be seen arriving in the cheapest car on the road.

INTENDED POSITIONING VERSUS ACTUAL POSITIONING

A company can only **intend** a position. The position a brand actually holds is whatever image forms in customers' minds - shaped by ads, but also by media, word of mouth and experience. The Nano's ads said spacious and robust; the world heard cheapest.

Where the execution did not line up

The professor then showed that positioning was the biggest reason but not the only one. The car itself was not bad for what it cost. The trouble was that the 4Ps did not line up with the target segment.

What the STP intended	What actually happened	The consequence
Target: families who did not own a car	The first cars were allotted by **lottery** - and many went to people who already owned a car	Owners compared the Nano with their bigger cars and found it wanting - early **negative word of mouth**
Target: small towns and rural buyers	The dealer network in those towns was thin at the time	Rural buyers were expected to travel to the city to buy - which rarely happened
Position: a real car for a new car owner	Media framed it as the cheapest car	An aspirational buyer did not want the poor man's car
A reliable first car	Reports of cars catching fire; safety questions	Further damage to an already fragile image

There were other blows too. Production had to move from Singur in West Bengal to Sanand in Gujarat after political protests over land, delaying everything. Later, Tata tried to reposition the Nano - ads showing young people and college students, more features and a sportier look - but once an image has stuck, changing it is extremely hard (Section 0.10).

CONCEPT TRAP: NOT JUST A POSITIONING FAILURE

"It was positioned as the cheapest car" is the start of the answer, not the whole answer. The deeper lesson is misalignment: the target was first-time rural buyers, but the lottery, the dealer network and the communication environment all worked against reaching them. A good product with a clear segment still fails if the 4Ps do not serve that segment.

MANAGER'S TAKEAWAY

Plan for the image you will be given, not just the one you intend. A product that is newsworthy for its price will be described by its price - so decide early whether you can live with that label. A service firm that wins attention as the "cheapest bidder" faces the same trap: the label follows it into every later negotiation, and the clients it really wanted will not shortlist it.

0.13 How to Analyse a Case

Much of this module is taught through cases, so the professor spent time on how to read one. She asked the class first, and the answers built a simple method - matching her slide of general guidelines.

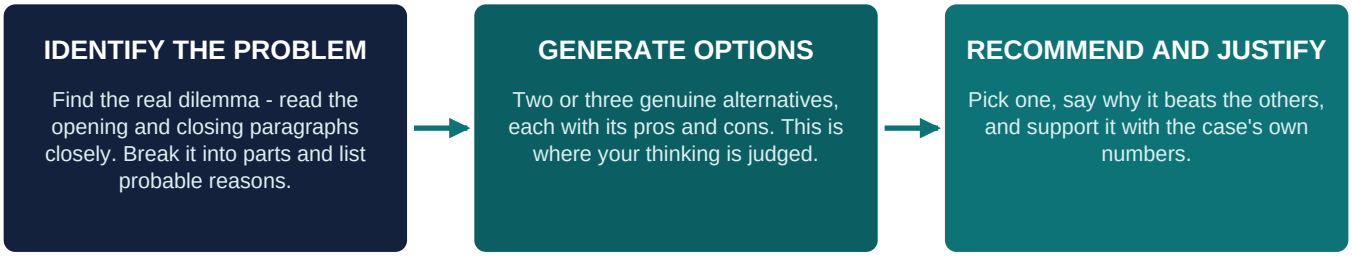


Figure 0.6: Three steps for any case, in any subject.

Guideline (from the slide)	What it means in practice
Identify the problems	Find the real dilemma and state it clearly. Break a broad problem ("sales are falling") into parts - is it the product, the price, the distribution? - and list probable reasons.
Generate alternatives (pros and cons)	Two or three real options, each with honest pros and cons. This is where your thinking is judged.
Sound arguments for your decision	Recommend one option and justify why it beats the others.
A reasonable approach to problem and solution	Evaluators check whether you considered the key points - not whether you reached "their" answer.
Thoughtful interpretation of text and numbers	Use the case's data wherever possible to support your argument.
No one correct answer	Different recommendations can all score well if well argued.

THE PROFESSOR'S READING TIP

Do not try to read every line with equal care. The main dilemma a case writer wants you to focus on is almost always stated in the **introduction**, the **conclusion**, or both - writers like to close the loop by repeating it at the end. Read those two parts closely, then read the body for evidence.

CONCEPT TRAP: STAY INSIDE THE CASE

The slide's note is explicit: restrict yourself to the information given in the case. Do not bring in what you found online about what the company did later. And do not stretch an inference into a fact: in the Axe discussion, a participant claimed a rival was taking Axe's volume - a reasonable guess, but the case did not say so, and the professor flagged it as an assumption.

MANAGER'S TAKEAWAY

The same three steps make a good board paper. A product manager proposing a price cut, or a service head proposing a new offering, should state the problem, lay out the real options with their costs and risks, and only then recommend - with numbers. Leaders trust a recommendation more when they can see the options that were rejected.

0.14 Lessons from the First Case: A Leader Losing Its Magic

The first case of the module was **Axe**, Unilever's deodorant brand in India. The case is not retold here; what matters is how the class worked through it, because the same steps apply to any case. The situation in three lines: a first mover and long-time leader, aimed at men of about 18 to 25 and positioned on seduction (the "Axe effect"), with ads that grabbed attention but offended many. Competitors copied the theme until the category was full of me-too brands, and then **Fogg** arrived on a functional platform - no gas, more sprays, lasts longer - and Axe began losing ground. The dilemma: should Axe move to a new positioning, **"Find Your Magic"**, which celebrates individuality instead of seduction - and would a new positioning be enough?

The professor framed the discussion two ways: if you had been Axe's brand manager, what would you have done differently back then? And what should Axe do now? The class put several options on the table, and she pressed each one for its pros and cons.

Option 1: Broaden the target - families, and women

One participant argued Axe had targeted too narrowly; deodorant is a universal need, so why not target whole families, including women?

Pros	Cons
A much larger customer base; more volume	You lose your sharpness: try to be something to everybody and you end up being nothing to anyone
Several users in one home; more frequent purchase	Axe's image is strongly masculine - how many women would openly buy it? This needs research before any money is spent
The case notes some women already used it	It moves Axe towards a me-too position, losing its differentiation

Here the professor brought in an example that cleared up the debate. What is the difference between **Diet Coke** and **Coke Zero**? The benefits are nearly the same; the taste differs a little. Diet Coke came first, on a health platform, and sold hugely - but almost entirely to women. Men stayed away from the silver can; it had a feminine image. Rather than stretch Diet Coke, Coca-Cola created Coke Zero, in a black can, with a masculine image, to reach men. Two brands with similar benefits means cannibalisation and double marketing costs - yet it was worth it to reach a segment the first brand could not.

> **THE LESSON FOR AXE**
>
> If you want a segment your brand's image repels, a separate brand or sub-brand is often safer than stretching the parent. Axe's masculine image could make it the wrong vehicle for women - just as Diet Coke's feminine image made it the wrong vehicle for men.

Option 2: Keep the positioning, advertise harder

Another suggestion was to keep the same positioning and simply spend more on advertising. The professor asked what would actually change. Spending more on a message that is already losing is doing the same thing louder.

Option 3: Extend the brand - a premium line

The most developed argument came from a participant who looked at timing. When Axe was leader, its 18-to-25 customers were students without much money. A few years later the same people had jobs and were buying perfumes - and Axe had nothing to offer them. As brand manager he would have used the Axe name, which everyone in the age group knew, to launch a premium perfume line that customers could graduate into, with a more sophisticated positioning. This is a **brand extension**: a new product under the existing brand name.

The professor's counter was practical. Proposed today, while the parent brand is struggling, no top management will approve a brand extension: you cannot build on a weak base. It would need a very solid proposal backed by research showing real potential. Proposed back when Axe was strong, it would have been a smart, **proactive** move.

Option 4: Act like a leader - grow the whole category

This led to the professor's main point about leaders. A first mover with high awareness carries a responsibility: to educate customers and grow the entire market, not just defend its share. Axe could have gone after new segments, new geographies (rural markets with smaller bottles and trial sizes at lower price points), new forms (roll-ons, pocket sizes, talc) and new variants and fragrances. Many of these came - but late. Instead of acting while it was strong, Axe ended up reacting.

Option 5: Reposition with "Find Your Magic"

Several participants supported the new positioning. Society has moved on; the idea of what it means to be a man has changed - more responsible, more open-minded. A seduction message looks dated. The professor agreed the messaging had to change, but asked whether a new campaign alone would be enough. There are two ways to reposition: change only the **communication** and keep the product the same, or also change the **product, packaging and the rest of the mix**. Axe's image is deeply masculine and attention-seeking; a new ad alone may not shift it (Section 0.10).

Option 6: Innovate the product

Others argued that Fogg had won on a functional benefit - longer-lasting, no gas - so Axe needed R&D: a better-performing product, perhaps skin-friendly variants, rather than a better ad.

> **WHERE THE CLASS LANDED**
>
> There was no single right answer, and the professor did not give one. What she asked for was the approach: state the problem, weigh real options with pros and cons, and support the choice with evidence. Her own first step would be to **get more data** - research with users and non-users: why do people buy Axe, and why do people who don't, not buy it?

MANAGER'S TAKEAWAY

Leaders lose by standing still more often than by being attacked. A product leader should use its strength to open the next segment before a challenger does - including a premium line for customers who are growing up. A service leader has the same duty: a market-leading security provider that does not educate the market about new threats or offer the next service tier will find a focused challenger doing it instead.

0.15 The Product Life Cycle

The Axe story becomes clearer with a concept the professor drew on the board: the **product life cycle**. Plot a product's sales against time and the curve usually passes through four stages.

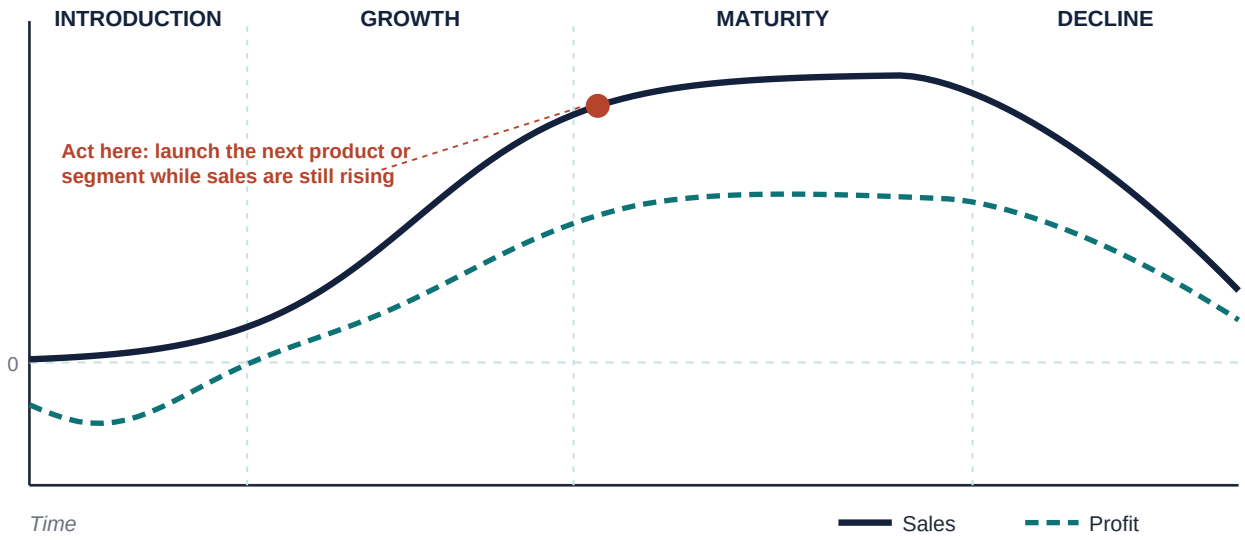


Figure 0.7: The product life cycle - sales rise slowly, then steeply, flatten, and fall. Profit lags sales and peaks earlier.

Stage	What happens	Marketing objective	Typical moves
Introduction	Sales start slowly; profits are negative or thin	Create awareness; grab attention	Basic product; attention-grabbing, even comparative advertising (Samsung)
Growth	Sales and profits rise steeply; competitors notice	Build preference and a positive attitude	Add variants and features; widen distribution
Maturity	Sales plateau; many competitors; me-too offers	Defend and differentiate	Competitive pricing (prices may fall); augment the product with services, models and features
Decline	Sales and profits fall	Squeeze out remaining sales or exit	Aggressive promotions to move volume; decide when to pull out

Two lessons came out of applying this to Axe. First, **advertising objectives must move with the stage**. At introduction the job is awareness, and even offensive ads can grab it. But a brand cannot stay there; it has to move on to building a positive attitude. Axe's ads created awareness but never created that positive attitude -

many people found them offensive.

Second, **timing**. Fogg arrived as Axe's growth was flattening. The professor's advice: the moment your sales begin to plateau - better still, while they are still climbing - is when you launch the next product, segment or variant. Waiting until decline means reacting from weakness.

CONCEPT TRAP: THE CURVE IS A DESCRIPTION, NOT A DESTINY

The life cycle describes what tends to happen if a firm does nothing new. It is not a law. Leaders who keep extending the product - new segments, forms, variants - can stretch maturity for decades. Note also that profit and sales do not peak together: profit usually peaks before sales, as competition squeezes prices in maturity.

MANAGER'S TAKEAWAY

Know which stage each of your offerings is in, because the right move differs. A product in growth needs distribution and preference, not discounts; one in maturity needs differentiation and services wrapped around it. Services age too: a managed service that was novel five years ago may now be a commodity sold on price - the time to build the next tier was while it was still growing.

0.16 What Customers Value

Throughout the class, marketing was described as satisfying customer needs and creating value. The last part of the session asked what "value" actually means. From a customer's point of view there are three broad kinds.

Type of value	What it is	Example
Economic value	Relatively objective: money in, money out. Can be calculated.	Choosing between a Wagon R and an i10: compare upfront prices, mileage, how much you will drive, running costs.
Functional value	What the product does: features, performance, durability.	Boot space, safety features, how long the car lasts.
Psychological value	How it makes you feel: emotions, status, peace of mind, assurance.	Pride in the badge; the comfort of a brand you trust; how others see you.

B2B versus B2C

Is marketing to businesses (B2B) the same as marketing to consumers (B2C)? The professor's answer: the basic framework is the same, but the weights differ sharply.

	B2B buyer	B2C buyer
Who buys	An expert, very knowledgeable about the category	An individual, often far less expert
Value that matters most	**Economic**, then functional	All three, with psychological value strong

	B2B buyer	B2C buyer
Role of brand	Smaller - the buyer judges the numbers	Larger - brand building is worth investing in
Implication	Prove the economics; pricing sessions return to this	Invest in the brand and the experience

GOOD TO KNOW - BRAND STILL WHISPERS IN B2B

The class view is that psychological value plays a small role for an expert business buyer. A nuance worth knowing: where a wrong choice is costly or visible - critical systems, safety, security - a trusted name can still matter, because it reduces the buyer's personal risk. The economics come first, but a known brand can decide between two equal offers.

MANAGER'S TAKEAWAY

Lead with the value your buyer weighs most. A B2B product seller should arrive with the total cost of ownership already worked out; a consumer brand should invest in how the product makes people feel. A B2B service provider pitching to a plant should quantify avoided downtime and compliance cost first, and let reputation reassure second.

0.17 Customer Lifetime Value: Why It Matters

Section 0.16 looked at value from the customer's side: what the customer gets from the firm. The professor then turned it around. How much value does a **customer** bring to the **firm**? Companies now measure this with a metric called **customer lifetime value (CLV)**, and it sits at the heart of what is often called performance marketing.

The class built the definition step by step. "The total business a customer gives over his life" was the first attempt. The professor sharpened it three times. Not business - **profit**. Not the total - the **present value**, because money that arrives in future is worth less than money today. And not just the present value - the **net** present value, after deducting what it cost to acquire the customer.

> *"CLV is the net present value of all future profits generated from a customer."*
>
> **The definition on the class slide**

Why the interest in CLV grew

The idea is old, so why did companies start measuring it seriously only recently? The slides gave two reasons.

1. Customers came to be seen as intangible assets. A slide quoted the New York Times on the growing view that intangible assets - brand names, customer lists, trademarks, patents - matter so much that investors need to know more about them; it even suggested companies might disclose the lifetime value of a customer and the cost of acquiring new ones.

The professor made this concrete with **Flipkart**. When Walmart bought control of Flipkart in 2018 - about 77% for roughly 16 billion dollars, valuing the whole company at around 21 billion dollars - Flipkart was not making a

profit. It was losing money. And unlike a manufacturer it had little land, no plant, no machinery to account for that value. So where did the valuation come from? From two intangibles: the **brand name** and the **customer base**. For years, intangible value had meant mainly the brand. E-commerce firms made companies realise that the customer base is an asset too - and if customers are assets, you need a way to value them.

2. Detailed customer knowledge. CLV is built on predicting how each customer will behave in future, which needs data. Earlier, most companies did not even capture customer-level data. Now online businesses, loyalty programmes and digital payments record what each customer buys and how often - so CLV can actually be calculated.

The two halves: acquisition and retention

Why does the definition say **net**? Because CLV has two parts. **Acquisition cost** is the one-time amount spent to win a customer - the ads, the sign-up offer, the free first month. After that the relationship produces business, but keeping it also costs money - direct marketing, loyalty rewards, service. Those are **retention costs**, and they reduce the margin earned each year.

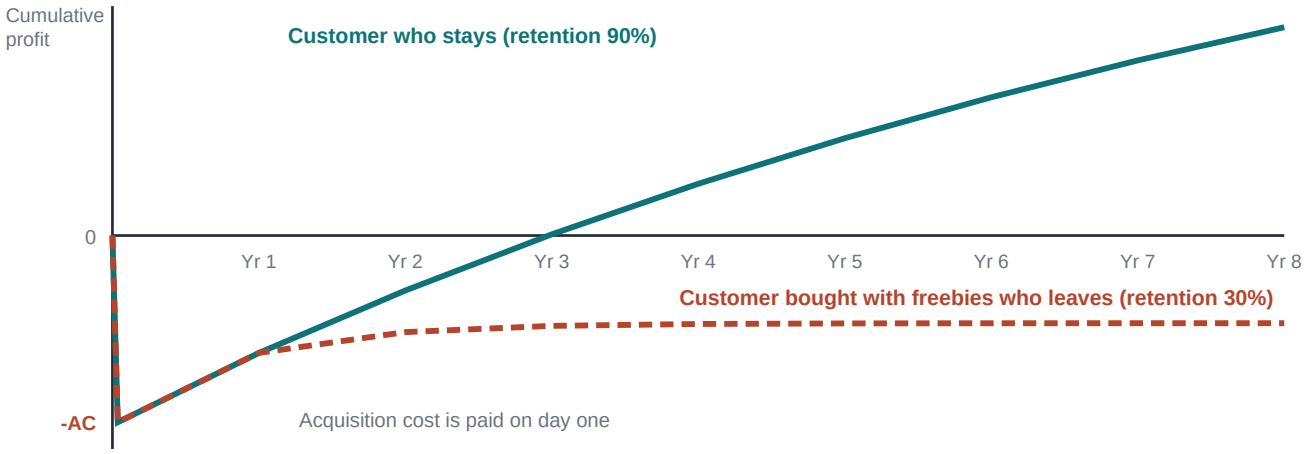


Figure 0.8: One customer's cumulative profit. Acquisition cost is paid on day one; only a customer who stays long enough ever pays it back.

The professor used this to explain the **dot-com bubble** of the early 2000s. Internet companies were spending heavily to acquire customers - free vouchers, Rs. 500 of free shopping, free talk time - expecting those customers to stay for years. They did not. Many bought only while something was free. Retention was so low that the money earned from customers never covered what was spent acquiring them, and the businesses collapsed. In Figure 0.8, that is the red line that never climbs back above zero.

The professor admitted to being that kind of customer herself: she collects points on a shopping app and buys only when the points cover the purchase. A loyal user, but not a profitable one - and CLV is the metric that tells the two apart.

CONCEPT TRAP: LOYAL IS NOT THE SAME AS PROFITABLE

A customer who keeps returning only for discounts and freebies can have a negative lifetime value. CLV counts profit after the cost of acquiring and keeping the customer - not visits, not revenue, not app downloads.

MANAGER'S TAKEAWAY

Before spending to acquire customers, know what they are worth. A product company running heavy launch discounts should check whether buyers come back at full price. A subscription service - a telecom plan, a software licence, a managed security contract - lives or dies on renewals: winning a client with a loss-making first year only pays off if the client stays long enough.

0.18 Calculating Customer Lifetime Value

The professor built the calculation in three steps, each adding one piece of realism.

Step 1: the basic approach (no discounting)

The simplest estimate multiplies three numbers, ignoring the time value of money:

BASIC CLV

CLV = annual customer revenue x number of loyal years x profit margin

Input (from the slide)	Value
Annual customer revenue	Rs. 5,000
Average number of loyal years	20
Company profit margin	10%
CLV, ignoring the discount rate	5,000 x 20 x 10% = **Rs. 10,000**

Where do loyal years come from? Many businesses know them from their own data. A telecom company, for example, knows how long a customer typically stays before switching operators - the class mentioned about three to four years.

Step 2: bring the future back to today

Rs. 500 of profit twenty years from now is not worth Rs. 500 today. The professor revisited the idea of **present value** with a simple example. Put Rs. 100 in a bank at 10% interest and after one year you have Rs. 110. Turn it around: if a friend promises you Rs. 110 one year from now, it is worth Rs. 100 today. Rs. 121 promised in two years is also worth Rs. 100 today, because 100 x 1.1 x 1.1 = 121.

This is the compound interest formula you met at school, $A = P(1 + r/100)^n$, run backwards: **present value = future amount / $(1 + i)^n$**.

Which rate should you use? The discount rate (also called the rate of return or cost of capital) comes from the finance and accounting team: it reflects what the company pays to borrow money, because money invested in a customer should earn at least that. Across industries companies borrow at roughly **8% to 15%**. If finance gives you no number, the professor's rule of thumb is to use **10%**.

CLV FOR A CUSTOMER WHO STAYS N YEARS

CLV = sum over t = 1 to n of m_t / $(1 + i)^t$ - AC

m_t = margin generated in year t; i = discount rate; n = number of years in the relationship; AC = acquisition cost.

Apply it to the same customer: a margin of Rs. 500 a year (10% of Rs. 5,000) for 20 years, discounted at 10%. The present value of those twenty margins is about **Rs. 4,257** - less than half the Rs. 10,000 from Step 1. If it cost Rs. 1,500 to acquire this customer, the CLV is about **Rs. 2,757**.

Step 3: allow the customer to leave

Step 2 still assumes the customer stays all twenty years. In reality some customers leave every year. Companies measure this with the **retention rate**: start the year with 100 customers, find 80 still with you at the end, and the retention rate is 80%. The other side of the coin is the **churn rate**: 1 - retention rate, here 20%.

For a single customer, the professor explained, the retention rate becomes a probability: an 80% retention rate means an 80% chance that this customer continues into the next period. With a 50% retention rate (her example), the chance he is still with you is 1 in year 1, 0.5 in year 2, 0.25 in year 3, 0.125 in year 4, and so on.

Why is it 1 in year 1? The calculation assumes a customer is lost, if at all, at the **end** of a year, so year 1's margin is certain. That is why the formula uses r^{t-1}: in year 1, $r^0 = 1$; in year 2, r^1; in year 3, r^2. This survival probability is the chance the customer is still "alive" for the firm in year t.

CLV WITH THE POSSIBILITY TO DEFECT

CLV = sum over t = 1 to n of r^{t-1} x M_t / $(1 + i)^t$ - AC

r = retention rate; r^{t-1} = survival rate, the probability the customer is still with you in year t.

Now give our customer an 80% retention rate. Each year's Rs. 500 is first discounted, then multiplied by the chance he is still there.

Year t	Survival r^(t-1)	Margin in today's rupees	Expected value	Running total
1	1.000	Rs. 455	Rs. 455	Rs. 455
2	0.800	Rs. 413	Rs. 331	Rs. 785
3	0.640	Rs. 376	Rs. 240	Rs. 1,026
4	0.512	Rs. 342	Rs. 175	Rs. 1,200
5	0.410	Rs. 310	Rs. 127	Rs. 1,328
6 - 20	0.328 down to 0.014	Rs. 282 down to Rs. 74	Rs. 93 down to Rs. 1	Rs. 1,664

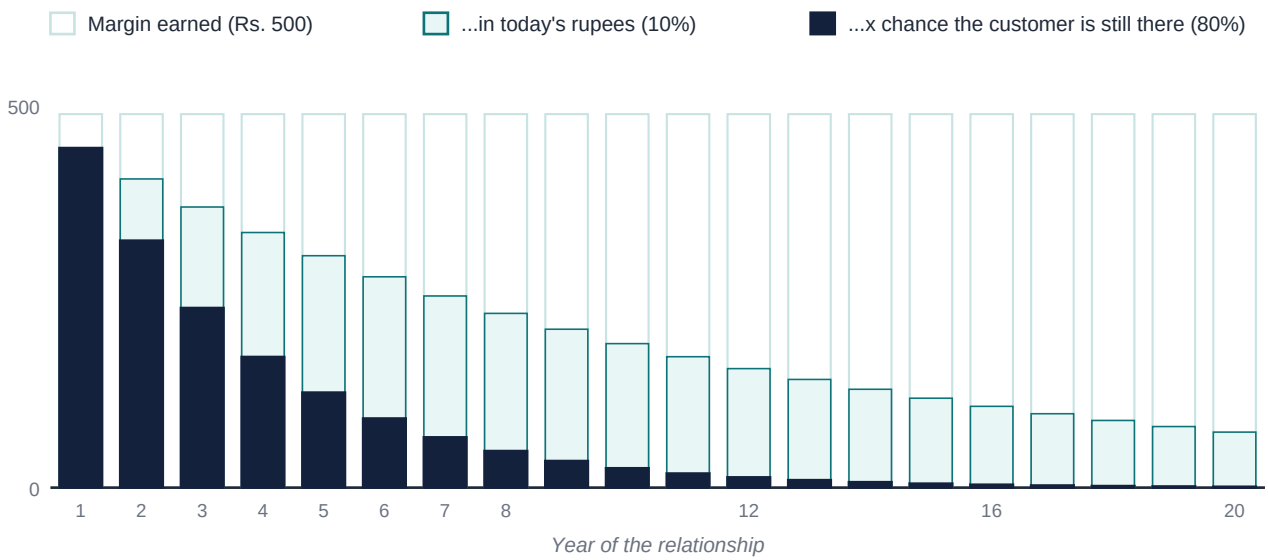


Figure 0.9: Discounting shrinks each year's Rs. 500; retention shrinks it much faster. The navy bars add up to about Rs. 1,664.

The total is about **Rs. 1,664**. Subtract the Rs. 1,500 acquisition cost and the CLV is only about **Rs. 164**. The same customer was worth Rs. 10,000 on the back of an envelope, Rs. 2,757 with discounting, and Rs. 164 once he is allowed to leave.

Method	Value of one customer	What it ignores
Step 1: revenue x years x margin	Rs. 10,000	Time value of money, acquisition cost, defection
Step 2: discounted, 20 sure years, less AC	Rs. 2,757	Defection
Step 3: discounted, 80% retention, less AC	Rs. 164	- (the most realistic)

GOOD TO KNOW - A SHORTCUT AND A SENSITIVITY CHECK

When the margin m is the same every year and the relationship can run indefinitely, the sum collapses to a neat formula: **CLV = m / (1 + i - r) - AC**. Here: 500 / (1.10 - 0.80) = Rs. 1,667, almost exactly the twenty-year total. Now raise retention from 80% to 90%: 500 / (1.10 - 0.90) = Rs. 2,500. Ten points of retention add 50% to the customer's value - which is why companies obsess over churn. (This shortcut goes beyond what was taught in class.)

"If you try to be perfectly accurate, you will never finish. Make good assumptions and move on."

The professor on estimating CLV, paraphrased - efficiency versus accuracy

CONCEPT TRAP: THREE EASY SLIPS IN THE FORMULA

1. Survival uses t - 1, discounting uses t: in year 1 the customer is certainly there ($r^0 = 1$) but the margin is still discounted once. 2. Retention and churn add to 100%: 80% retention is 20% churn, not the other way round. 3. CLV is built on margin, not revenue - multiplying revenue by years and forgetting the margin overstates it tenfold in the class example.

MANAGER'S TAKEAWAY

Retention is usually worth more than acquisition. A product company with repeat purchases - consumables, spares, service contracts - should know its retention rate as well as its sales. A service business on annual contracts should know that keeping clients from 80% to 90% renewal can raise each client's value by half; that justifies spending on service quality, account management and a renewal plan that starts on day one.

0.19 Product, Service and the Manager's Desk

Every idea in this session applies to a business that makes things and to one that delivers services, but it shows up differently in each.

Idea	In a product business	In a service business
Marketing, not just a good offer	Samsung: good phones, no recognition, until marketing	An expert team that cannot say in one line what it stands for
Push vs pull	Units pushed into dealers vs customers asking by name	Upselling vs solving what the client worries about
5Cs: collaborators	Dealers and distributors who need margin	System integrators and channel partners who resell
Customer vs consumer	Parent buys, child eats	CFO signs, operations team uses
STP before 4Ps	Decide the segment before the features	Decide the client sector before the service catalogue
Alignment	Apple's narrow stores fit its premium image	A specialist firm should not sell through a discount reseller
Repositioning is hard	Maruti and the Jimny	The low-cost provider launching premium advisory
Life cycle	Launch the next variant before the plateau	Build the next service tier while the current one grows
B2B values economics	Prove total cost of ownership	Quantify avoided downtime and compliance cost
CLV	Repeat purchase and spares	Renewal rate drives contract value

The manager's checklist from this session

#	Discipline	What it looks like on Monday morning
1	Run the 5Cs before deciding	Ten minutes on customers, company, collaborators, competitors and context before any price or launch decision.
2	Separate buyer from user	Know who signs and who uses - and market to both.
3	Write decisions, not activities	Every line of the plan should be a choice: whom, what, how much, where, which message.
4	Settle STP first	Agree the segment and the positioning before arguing about features or price.
5	Check every P against the STP	Reject any tactic, however clever, that contradicts the target or the image.
6	Protect the positioning	Treat repositioning as a last resort - it is slow, costly and often fails.
7	Watch the image you are given	Track how media and customers describe you, not just what your ads say.
8	Know your stage in the life cycle	Launch the next product or segment while sales are still growing.
9	Lead with the right value	Economics for expert business buyers; emotion and brand for consumers.
10	Know what a customer is worth	Measure retention and CLV before spending on acquisition.

The sharpest lines of the session

> *"Marketing is not black and white. Start appreciating shades of grey."*
>
> **On why there is rarely one right answer**

> *"The aim of marketing is to make selling superfluous."*
>
> **Peter Drucker, on the class slide**

> *"Try to be something to everybody and you end up being nothing to anyone."*
>
> **On broadening a brand's target**

> *"There is no right or wrong - everything has to be aligned."*
>
> **On Apple, Samsung and the Tata Nano**

"Repositioning is a very risky territory."

On changing an established image

"Customers are assets, not just sales."

On why customer lifetime value caught on

ONE-BREATH SUMMARY

Marketing is what turned Samsung's good phones into the world's best-seller: making a product mean something to the right customer. Business thinking moved from making products (production), to pushing them (selling), to starting with customer needs and pulling demand (marketing), and finally to serving society too (societal) - which is why the AMA's 2007 definition calls marketing an activity that creates, communicates, delivers and exchanges value - the 4Ps - for customers and society at large. A marketing plan reads the situation with the 5Cs (customers, company, collaborators, competitors, and context through PESTLE), chooses a strategy with STP (segment, target, position), and carries it out with the 4Ps (product, price, place, promotion) - strategy first, and everything aligned, as Apple and Samsung each are in their own way and as the Tata Nano was not. Repositioning is risky, leaders must grow the category before the life cycle flattens (Axe's lesson), customers weigh economic, functional and psychological value, and a customer's worth to the firm is the net present value of future profits - margin, discounted, multiplied by the chance he stays, minus what it cost to win him.

0.20 Practice Questions for Session 0

Thirty-two questions chosen so that every section, and every kind of question - a definition, a calculation, an application, a trap - appears at least once. The options are close on purpose: several are true statements that answer a different question. Read the one-line reason under each answer even when you got it right. More questions on this session, mixed with the others, are in the Mixed Question Bank after Session 5.

Q1. According to Samsung's US marketing chief, what was Samsung's smartphone problem in 2011?
(a) Its phones were technically weaker than the iPhone and reviewers said so
(b) Its phones were priced far above the iPhone, so few people tried them
(c) People knew Samsung for televisions but did not recognise it in smartphones
(d) It had no retail distribution for phones anywhere in the United States

Answer: (c) - It was a branding problem - no recognition of what the phones were or stood for.

Q2. Advertising that openly mocks the market leader, like Samsung's "Next Big Thing", is most typical of:
(a) A market leader defending its share
(b) A challenger trying to grab attention
(c) A brand in the decline stage clearing stock
(d) A monopoly with no rivals

Answer: (b) - Challengers borrow the leader's fame; leaders rarely give rivals free publicity.

Q3. A firm starts from the factory, focuses on existing products, relies on selling and promotion, and aims for profit through volume. It follows the:
(a) Production concept
(b) Marketing concept
(c) Selling concept
(d) Societal marketing concept

Answer: (c) - Factory, existing products, push, volume - the selling arrow in Figure 0.1.

Q4. Drucker's view of selling and marketing is best captured by:
(a) Marketing aims to make selling superfluous, though some selling will always be needed
(b) Good salesmanship makes marketing unnecessary, since a strong sales force can sell anything
(c) Selling and marketing are two names for the same activity, done by the same people
(d) Marketing should replace the sales force entirely, so that no selling is ever needed

Answer: (a) - Know the customer so well that the product sells itself - but some selling remains.

Q5. Compared with the AMA's 2004 definition, the 2007 definition:
(a) Removes customers from the definition
(b) Limits marketing to advertising and promotion
(c) Returns to the flow of goods from producer to consumer
(d) Describes marketing as an activity and names society at large

Answer: (d) - Function became activity; exchanging offerings and society at large were added.

Q6. In the AMA definition, "delivering" offerings corresponds most closely to which P?
(a) Place
(b) Product
(c) Price
(d) Promotion

Answer: (a) - Creating = product, communicating = promotion, delivering = place, exchanging value = price.

Q7. The earliest official definitions of marketing focused mainly on the flow of goods from producers to consumers. In 4P terms this is chiefly:
(a) Product
(b) Place
(c) Price
(d) Promotion

Answer: (b) - Moving goods to where customers are is distribution - Place.

Q8. When pricing a new smartphone, the class agreed that demand:
(a) Should be estimated first from market data, and the price then set to match it
(b) Is irrelevant for a new brand, which has no customers whose demand can be measured
(c) Is fixed by competitors' prices, so the new brand's own price cannot change it
(d) Changes with the price; the task is to find the price threshold customers will accept

Answer: (d) - Price and demand move together; study competitors, the USP and willingness to pay to find the threshold.

Q9. Mercedes-Benz India's "Retail of the Future" model changed which P most directly?
(a) Product
(b) Promotion
(c) Place
(d) Positioning

Answer: (c) - It changed the channel - direct sales with dealers as franchise partners - which in turn affected price.

Q10. A mother buys a breakfast cereal that her eight-year-old eats. In marketing terms:
(a) The mother is the customer and the child the consumer
(b) Both are consumers
(c) The mother is the consumer and the child the customer
(d) Neither is a customer, since the child pays nothing

Answer: (a) - The customer buys; the consumer uses.

Q11. A distributor who must be offered enough margin to stock your product belongs to which of the 5Cs?
(a) Customers
(b) Company
(c) Competitors
(d) Collaborators

Answer: (d) - Collaborators are those who can help you - and must be motivated to.

Q12. "Should we launch a premium phone while the economy is slowing?" is a question about which C?
(a) Company
(b) Context
(c) Competitors
(d) Customers

Answer: (b) - The state of the economy is part of the macro context, the E in PESTLE.

Q13. The cost of adding a feature, and what customers will pay for it, places "features" in:
(a) Company only
(b) Customers only
(c) Both company and customers
(d) Competitors only

Answer: (c) - Cost to provide is a company question; willingness to pay is a customer question.

Q14. Moving from pricing a smartphone to pricing a breakfast cereal, the class concluded that:
(a) The same framework applies, with different emphasis (perishability, seasonality, health trends)
(b) An entirely new framework is needed, because food is bought differently from phones
(c) Only costs matter for a cereal, since buyers of food products compare nothing else
(d) PESTLE does not apply to food products, though the other four Cs still do

Answer: (a) - Frameworks are generic; you change the weights, not the framework.

Q15. Which of the following is a marketing decision rather than an activity?
(a) Conducting an analysis of competitors' prices
(b) Choosing which distributor to appoint in a new state
(c) Tracking the revenue of each region every month
(d) Doing market research among target customers

Answer: (b) - Research, analysis and tracking feed decisions; appointing a distributor is the decision.

Q16. A participant listed "market selection" under Place. The correct home is:
(a) Place, because it concerns geography
(b) Promotion
(c) Product
(d) Targeting, within STP

Answer: (d) - Place means channels; choosing which market to serve is targeting.

Q17. Packaging decisions belong to which P, as taught in class?
(a) Price
(b) Place
(c) Product
(d) Promotion

Answer: (c) - Packaging is part of the product (some argue for a fifth P, but not in this module).

Q18. STP should generally precede the 4Ps because:
(a) The 4Ps are costlier to change than STP, so they are fixed last
(b) STP is strategic and long-term; the 4Ps are tactics that must serve it
(c) The 4Ps are set by finance, and STP by the marketing team
(d) STP is easier to change than price, so it is tried first

Answer: (b) - Segment and position first; then design the mix to deliver them.

Q19. Changing an established brand's image is called repositioning. The class view was that it is:
(a) Very risky, costly and often unsuccessful
(b) Quick and cheap with a new ad campaign
(c) Necessary every year
(d) Only relevant to luxury brands

Answer: (a) - Once an image forms in customers' minds it is hard to move - Maruti's Jimny was the example.

Q20. Apple sells through few, controlled outlets; Samsung sells almost everywhere. This shows that:
(a) Apple's narrow distribution is a mistake that costs it sales
(b) Samsung's wide distribution is a mistake that hurts its image
(c) Each firm's Place follows from its own target and positioning
(d) Distribution is chosen for cost reasons, not for positioning

Answer: (c) - No right or wrong - each mix is aligned to its STP.

Q21. How can you find out what positioning a company intends for its brand?
(a) From how newspapers and television describe the brand
(b) From the company's share price and annual report
(c) From what competitors say about it in their own ads
(d) From its own communication - what its ads say about the brand

Answer: (d) - Intended positioning shows in the company's own communication; actual positioning lives in customers' minds.

Q22. Tata's own launch ads for the Nano stressed that it was spacious and robust. It still came to be seen as the "cheapest car" mainly because:
(a) Tata's own advertising promised the lowest price in the world
(b) Huge media attention to its record-low price fixed that image
(c) Competitors ran comparative ads calling it a poor man's car
(d) Dealers promoted it locally as the cheapest car one could buy

Answer: (b) - The media, not the company, fixed the image - and in India a car is aspirational.

Q23. Allotting the first Nanos by lottery hurt the brand because:
(a) Many cars went to people who already owned bigger cars, who compared it unfavourably
(b) A lottery is not a legal way to sell cars, and the bookings had to be cancelled
(c) The lottery pushed the on-road price well above the promised Rs. 1 lakh
(d) The lottery delayed deliveries by several years, by which time rivals had caught up

Answer: (a) - The intended buyer was a first-time car owner; existing owners spread negative word of mouth.

Q24. In case analysis, which of the following should you NOT do?
(a) State the problem before proposing solutions
(b) List alternatives with pros and cons
(c) Support the recommendation with the case's numbers
(d) Use what the company did after the case date to support your answer

Answer: (d) - Restrict yourself to the information given in the case.

Q25. Coca-Cola launched Coke Zero alongside Diet Coke mainly to:
(a) Offer a completely different health benefit
(b) Replace Diet Coke, which was failing
(c) Reach men, who avoided Diet Coke's feminine image
(d) Lower prices in the cola market

Answer: (c) - Similar benefits, different image - worth the cannibalisation to reach a new segment.

Q26. According to the professor, the best time for a market leader like Axe to launch a new product or segment is:
(a) When sales begin to plateau - or before, while still growing
(b) In the introduction stage, before awareness is built
(c) Only after sales start to decline
(d) Never; leaders should defend their one brand

Answer: (a) - Act from strength, before the challenger arrives at maturity.

Q27. For an expert business (B2B) buyer, the value that usually matters most is:
(a) Psychological value
(b) Economic value
(c) Brand image
(d) Status

Answer: (b) - B2B buyers are knowledgeable; economics comes first, then function.

Q28. Annual customer revenue Rs. 5,000, 20 loyal years, profit margin 10%, ignoring the discount rate. CLV is:
(a) Rs. 1,00,000
(b) Rs. 500
(c) Rs. 10,000
(d) Rs. 50,000

Answer: (c) - 5,000 x 20 x 10% = 10,000. Forgetting the margin gives the 1,00,000 trap.

Q29. A friend promises you Rs. 121 two years from now. At a 10% discount rate it is worth today:
(a) Rs. 121
(b) Rs. 110
(c) Rs. 99
(d) Rs. 100

Answer: (d) - 121 / (1.1 x 1.1) = 100.

Q30. A firm's retention rate is 80%. The churn rate, and the chance a new customer is still with the firm in year 3, are:
(a) 80% and 0.512
(b) 20% and 0.64
(c) 20% and 0.512
(d) 80% and 0.64

Answer: (b) - Churn = 1 - r = 20%; survival in year 3 = r^(3-1) = 0.8 x 0.8 = 0.64.

Q31. CLV is called the NET present value of future profits because:
(a) Taxes are deducted from each year's profit
(b) Only net revenue after returns is counted
(c) Competitors' profits are subtracted
(d) The acquisition cost of the customer is subtracted

Answer: (d) - CLV = discounted future margins minus the acquisition cost.

Q32. Many dot-com firms collapsed in the early 2000s, in CLV terms, because:
(a) Acquisition costs were high and retention so low that margins never covered them
(b) Retention costs were so high that loyal customers became unprofitable
(c) Discount rates were set too low, which made future margins look too large
(d) They captured so much customer data that storage costs outran their margins

Answer: (a) - Customers won with freebies left before paying back the cost of winning them.

SESSION 1 OF 5

Influencing Customers' Buying Behaviour

Bounded Rationality, Heuristics and Biases - Anchoring, Framing, Availability, Representativeness, the Decoy and Mental Accounting - and How Marketers Use Them

Sunday, 4 October 2026 | Prof. Ritu Mehta | Live online session

WHAT THIS SESSION COVERS

Can a marketer influence how customers decide? The session began with the two classic views of human behaviour - the economist's rational buyer and the psychologist's unpredictable one - and showed that real buyers sit in between: rational within limits, and using mental shortcuts to decide. The class then ran live experiments on itself to expose six of those shortcuts - anchoring, framing, availability, representativeness, the decoy effect and mental accounting - and for each one asked how marketers put it to work, from strike-through prices and popcorn tubs to airline schedules and crisis communication. It closed by opening the first case discussion of the module, which taught how to read a case's research and numbers.

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1.01 Two Views of the Buyer

Session 0 said marketing starts from the customer. This session asks a harder question: once you know your customer, can you **influence** how that customer decides? To answer it, you first need a theory of how people decide at all. The professor put two opposing theories on the table.

The economist's view. Asked what economists assume about human behaviour, participants answered: buyers look for maximum benefit at minimum cost; if the price goes up, demand falls. Exactly. The economist's buyer is **rational**, with no emotion attached. Shown a set of options, he weighs the pros and cons of each and picks the one that maximises his **utility** - his overall satisfaction. And because he is rational, his behaviour is **predictable**: put him in a situation and you can say what he will do.

The psychologist's view is the opposite extreme. Behaviour is **subjective**. It depends on upbringing, culture, ethnicity, household income, knowledge, education - everything that makes one person different from the next. So nothing about human behaviour can be predicted.

Picture two people at a kirana counter choosing a packet of biscuits. The economist sees two calculators who will both buy the best value per gram. The psychologist sees a grandmother who buys the brand her mother bought and a teenager who buys whatever his friends are eating - and says you could never have guessed either.

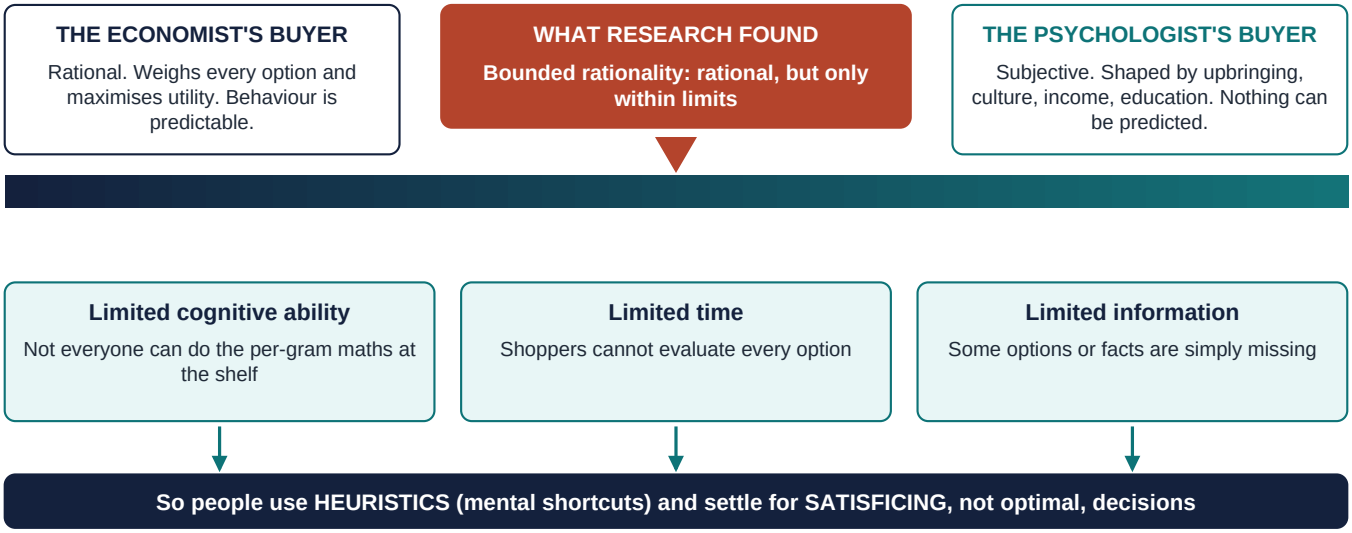


Figure 1.1: Real buyers sit between the economist's and the psychologist's extremes - rational, but only within limits.

MANAGER'S TAKEAWAY

Neither extreme helps a manager. If buyers were perfectly rational, all you would need is the best value; if they were perfectly unpredictable, marketing would be guesswork. The useful middle is that buyers are predictably imperfect. A product company can design its price tags and shelves around those imperfections; a service company can design its proposals, renewals and waiting experiences around them.

1.02 Bounded Rationality and Behavioural Economics

What researchers actually found is that human behaviour lies somewhere between the two views. They called it **bounded rationality**: people try to be rational, but within limits. The economist's model quietly assumes three things, and in real life each one often fails.

The economist assumes the buyer has...	In reality	Example from class
The cognitive ability to compare every option	Many people cannot, or will not, do the maths	Chips: 100 g for Rs. 10, 90 g for one price, 120 g for Rs. 12. Which is the best value per gram? Few shoppers calculate.
All the time needed to evaluate every option	Shopping time is limited	A shopper with ten minutes in a supermarket cannot compare forty products.

The economist assumes the buyer has...	In reality	Example from class
Complete information	Some options or facts are missing	The better-value pack may not be on this shelf at all.

Because of these limits, people fall back on **heuristics** - mental shortcuts that make a decision quick and good enough. A heuristic does not deliver the optimal decision; it delivers a **satisficing** one (satisfy + suffice): acceptable, not best. And because the shortcuts work in predictable ways, they also produce predictable errors, called **biases**.

> **HEURISTIC AND BIAS**
>
> **Heuristic:** a mental shortcut used to make a decision quickly - "the expensive one must be better", "I'll take the one I've heard of".
>
> **Bias:** the systematic error a heuristic produces - paying more than you needed to, or misjudging a risk.

The field that studies this: behavioural economics

The whole area that showed people are neither the economist's machine nor the psychologist's mystery is **behavioural economics** - a mix of economics and psychology. Before 2000 it was a niche. It took off after **2002**, when **Daniel Kahneman** - a psychologist - won the Nobel Prize in economics for his work, with his co-authors, showing that people use heuristics in decision making. His book *Thinking, Fast and Slow* describes many of the heuristics in this session. The professor also pointed to *Nudge*, and to the work of Richard Thaler and Dan Ariely.

> **GOOD TO KNOW - WHO WON WHAT**
>
> Kahneman shared the 2002 Nobel. Richard Thaler, co-author of *Nudge* with Cass Sunstein, won it in 2017. Dan Ariely, author of *Predictably Irrational*, is a well-known researcher in the field but has not won a Nobel. For the exam, the name to remember is **Kahneman, 2002**.

The marketing logic follows directly. **If we know in advance** which heuristics customers use and which biases follow, we can design offers that work with them - and nudge behaviour in our favour.

How the class discovered the heuristics

Rather than define each heuristic, the professor ran small experiments. Each slide carried two versions of a question, Questionnaire A and Questionnaire B. Participants answered only one, based on the first letter of their name (A to L, later A to P, read the top half; the rest the bottom half), and typed answers in the chat. The two versions differed in one small detail. Comparing the two groups' answers revealed the shortcut at work. The professor's only request: do not peek at the other half, or the psychology will not show.

MANAGER'S TAKEAWAY

Design for the shopper you have, not the one in the textbook. A product company should assume most buyers will not compute price per gram and will lean on cues - the tag, the shelf, the pack size. A service buyer evaluating three complex proposals is just as bounded: a clear headline price and one comparison table often decide the deal more than the fifty pages behind them.

1.03 Anchoring: The Number That Sets the Scale

The first experiment described a food engineer in Melbourne, Australia, with a stated level of experience and qualifications, and asked participants whether his annual salary was above or below a given figure - and then for their own estimate. Both groups read the same engineer, the same city, the same experience. The only difference was the figure in the question: Questionnaire A carried a lower one, Questionnaire B a higher one.

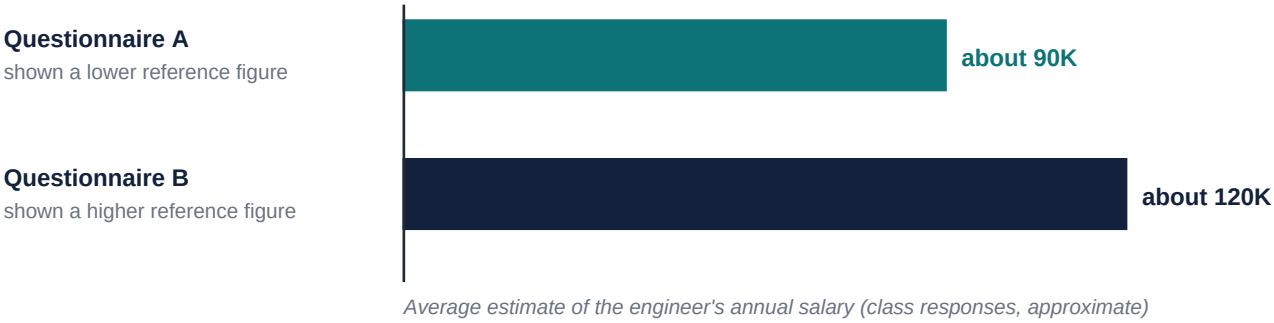


Figure 1.2: The class's own anchoring result. Same engineer, different suggested figure, different estimate.

Group A's estimates averaged about 90K; Group B's about 120K. Nothing about the engineer had changed. Whatever number was put in front of people became a **reference point**, and they estimated around it - a little above or a little below, but anchored to it. A participant called it benchmarking; the heuristic's name is **anchoring**.

ANCHORING (DEFINITION ON THE SLIDE)

The anchoring effect occurs when people consider a particular value for an unknown quantity before estimating the quantity or number. Whatever value comes first pulls the estimate towards it.

How strong is it? The professor described a famous kind of experiment. Before asking people how much they would pay for a pen or a phone, researchers asked them to write down the last digits of an unrelated number - in the original studies, their US social security number; in Indian terms, think of the last four digits of an Aadhaar number. People whose digits were higher quoted higher prices. The number had nothing to do with the product, and it still worked.

A participant asked whether anchoring affects negotiations - if one side opens with a very high number, does it help? Yes. The first number on the table in a negotiation or an auction becomes the anchor the rest of the discussion moves around.

CONCEPT TRAP: ANCHORING IS ABOUT ESTIMATING AN UNKNOWN VALUE

Anchoring applies when a customer must estimate something he does not know - a fair price, a wait time, how many to buy. It is mostly used in pricing, but not every pricing trick is anchoring. The professor redirected several suggestions to their own, more specific names: popcorn pricing is the decoy effect (Section 1.09), Rs. 999 is the left-digit effect (Section 1.11), and "only 2 left" is scarcity. They can overlap with anchoring, but each has a better label.

MANAGER'S TAKEAWAY

Whoever sets the first number frames the deal. A product company should show a reference price before the selling price. A service firm in a negotiation should table its own number first - a fully scoped option, priced properly - rather than wait for the client's budget figure to become the anchor.

1.04 Anchoring at Work

Asked for applications, the class and the professor built a long list. The slide grouped them under five headings: regular price versus sale price, purchase limits, placement of products, Disney's queues, and restaurant menus.

Application	How the anchor works	Example from class
Regular price vs sale price	Show the original price, then the sale price - instead of just stating a discount. The higher number becomes the yardstick, even when buyers suspect it is inflated.	Amazon and Myntra: Rs. 4,999 struck through, Rs. 2,499 below. In the US, "was / now" tags.
List price	A list price nobody actually pays makes the negotiated price look like a win.	Real estate and cars: "the list price is X, I'm giving you 15-20% off".
Competitor's price	Place the rival's higher price next to yours.	"Their price / our price" comparisons.
Purchase limits	A limit suggests a quantity.	A hypermarket offered cookies at a modest 20% off, "maximum 4 per customer". The professor bought 4; without the line she would have bought 2 or 3.
Placement of products	The first models a shopper sees reset what seems normal to pay.	Electronics stores put lakh-rupee TVs at the entrance; a shopper who came in thinking Rs. 40-50K for a 55-inch set leaves willing to pay Rs. 70K.
Showing above the budget	Seeing a better product above your range moves your range.	Sari shops ask your range (say Rs. 3,000-6,000), then show you Rs. 8,000-10,000 pieces "just to see the collection" - and you buy above your range.
Expected waiting time	A stated wait becomes the anchor for how the real wait feels.	Disney's popular rides show about 30 minutes; your turn comes in 25 and you feel you saved 5.

Application	How the anchor works	Example from class
Padded schedules	A generous scheduled time makes arrival feel early.	Airlines publish a longer flight time than the actual flying time, then arrive "ahead of schedule". The professor credited IndiGo with popularising this; other airlines followed.
The menu anchor	One absurdly priced item makes the rest look reasonable.	A dessert menu: cheesecake at $22.50 looks steep - until the last line, a Guinness-record $1,000 sundae needing 48 hours' notice. Nobody orders it; it exists to make the cheesecake look fine.

> *"You know the original price is not the true price, but you still use it to judge how much you are paying."*
>
> **The professor on strike-through prices, paraphrased**

Participants raised more. **No-cost EMI**: buyers anchor on the small monthly figure - partly anchoring, the professor agreed, if it serves as the reference that shapes the decision. A question on real estate: an inflated list price anchors a buyer who can afford less. And from the professor, a note that all sales promotions can be seen through the anchoring lens - but some have sharper names of their own.

MANAGER'S TAKEAWAY

Choose your anchors deliberately, because customers will find one anyway. A product company controls the first price, the first shelf and the first model a shopper sees. A service company controls the first number in its proposal and the stated turnaround: promise a 4-hour response and deliver in 2, and the client feels served; promise 1 and deliver in 2, and the same performance feels like failure.

1.05 Framing: Same Facts, Different Frame

The second experiment was harder to answer. A 65-year-old relative has a serious disease that affects her lifestyle significantly. An operation, if successful, will cure her, but it is risky. Questionnaire A said **50% of patients undergoing it survive**. Questionnaire B said **50% of patients undergoing it die**. Would you recommend she undergo it?

Group A answered mostly yes. Group B answered mostly no - only about five yeses. The two statements are mathematically identical. What changed was the frame: "survive" presents the operation as a **gain**; "die" presents it as a **loss**. The professor added that this result is not peculiar to this class; it shows up wherever the exercise is run.

> **FRAMING EFFECT (DEFINITION ON THE SLIDE)**
>
> A judgement bias resulting from the way the choice is presented. The information is the same; the decision changes depending on whether it is framed as a gain or as a loss.

The same news, two headlines

The fact	Positive frame	Negative frame
2012 US Federal Reserve stress test of 19 big banks (a test of whether banks would survive a 2008-type downturn)	"15 of the 19 big banks pass" - the New York Times version, optimistic	"Stress test fails 4 of the 19 big banks" - an Indian paper's version, worrying
2016: a UN list of addresses in Pakistan for a wanted fugitive	"6 of the addresses confirmed"	"3 of the addresses found incorrect"
COVID second doses: about 8% of people who took the first shot skipped the second	"92% are coming back for their second dose" - more motivating for those on the fence	"Millions are skipping their second doses" - the headline actually used
Meat (the slide's example)	"90 percent lean meat"	"10 percent fat meat"

The COVID example was the professor's own observation: if officials wanted more people to return for the second dose, framing the same fact as "92% are coming back" would have worked better than headlining the 8% who did not. Food brands use the gain frame on packs: "90% fat free" rather than "contains 10% fat". A participant suggested sanitiser claims ("kills 99% of germs"); the professor said he was thinking in the right direction - the contrast would be "fails to kill 1%" - but the meat example is cleaner.

CONCEPT TRAP: FRAMING IS SOMETHING THE COMPANY DOES

A participant asked whether the Tata Nano's "cheapest car" image was framing. The professor said no. Framing is a choice the company makes in how it presents information in its own communication. The Nano's cheap image was created by media coverage, not by Tata's framing - that is a question of positioning, which the module returns to in the session on positioning.

MANAGER'S TAKEAWAY

Write every claim twice - as a gain and as a loss - and choose deliberately. A product company should say "lasts 90% longer" rather than "fails less often". A service firm reporting to a client should lead with "99.2% of alerts triaged within SLA" and then explain the rest, rather than opening with "0.8% breached" - while never hiding the number itself.

1.06 Framing a Promotion: 33% More or 33% Off?

Framing matters most in sales promotions. The professor showed two Coke bottles: one offering **33% more** for the same price, the other **33% off** the price. Which would you choose? Most of the class chose 33% more. Research finds the same: roughly a 60:40 split in favour of "more".

Then she asked the real question: which one leaves you better off? Not "which saves money", but on a like-for-like basis - **rupees per litre**. Several participants got tangled until the arithmetic was laid out:



Figure 1.3: "33% off" gives the lower price per litre. "33% more" is worth only 25% off, and "25% more" only 20% off.

Offer	What you get	Price per litre	Equivalent discount
Regular	1 litre for Rs. 100	Rs. 100	-
33% off	1 litre for Rs. 67	Rs. 67	33%
33% more	1.33 litres for Rs. 100	100 / 1.33 = Rs. 75	25%
25% more	1.25 litres for Rs. 100	100 / 1.25 = Rs. 80	20%

So the rational buyer should take 33% off - yet most people take 33% more. Why? A price is felt as a **loss**; a discount is only a reduced loss, and it still feels like a loss. "More" feels like a **gain** - you are getting something - and people prefer gains to reduced losses. For the company the lesson is pointed: a "25% more" offer can attract as much as a "33% off" one while costing the equivalent of only 20% off.

Not everyone is the same, of course. One participant preferred the discount because she did not want to be pushed into consuming more; another would take "more" because he was hosting guests. The point is not that everyone falls for the gain frame, but that the split moves in its favour.

A frame that grew a bank

The class watched a Kotak Mahindra Bank advertisement built entirely on framing. A string of characters reframes facts ("recession is a state of mind", "80% of millionaires drive second-hand cars") and it ends with the bank's own offer: don't look at a savings rate as **2% more**, look at it as **50% extra** - 6% interest instead of 4%. According to the professor, the campaign grew the bank's retail customer base by about 20% within two months.

CONCEPT TRAP: "33% MORE" IS NOT THE SAME AS "33% OFF"

Extra quantity must be converted into an effective discount: new price per unit = old price / (1 + extra share). 33% more is about 25% off; 25% more is 20% off; 50% more is about 33% off. In an exam, always compare price per unit, never the headline percentages.

MANAGER'S TAKEAWAY

Frame promotions as gains where you can. A product company running a bonus pack can offer "20% extra" more cheaply than a 20% price cut and often sell more. A service firm can frame a renewal incentive as "three extra months of monitoring" or "one more site covered" rather than "10% off" - the client feels a gain, and the price list stays intact.

1.07 Availability: What Comes to Mind Feels Likely

Third experiment. In four pages of a novel - about 2,000 words - do you expect to find more than 20 seven-letter words of the form _ _ _ _ _ **n** _ (n in the sixth position)? That was Questionnaire A. Questionnaire B asked about seven-letter words of the form _ _ _ _ **i n g** (ending in -ing). Group A said mostly no; Group B said mostly yes.

Mathematically, A must be at least as likely as B. Every seven-letter word ending in -ing has n in the sixth position, so the -ing words are a **subset** of the n-words - think of the Venn diagrams from school. Group A should have said yes more often, not less. Why the reverse? Because -ing words come to mind instantly - reading, talking, walking - while n-in-sixth-place words do not, even though every -ing word is one of them, along with others like "present".

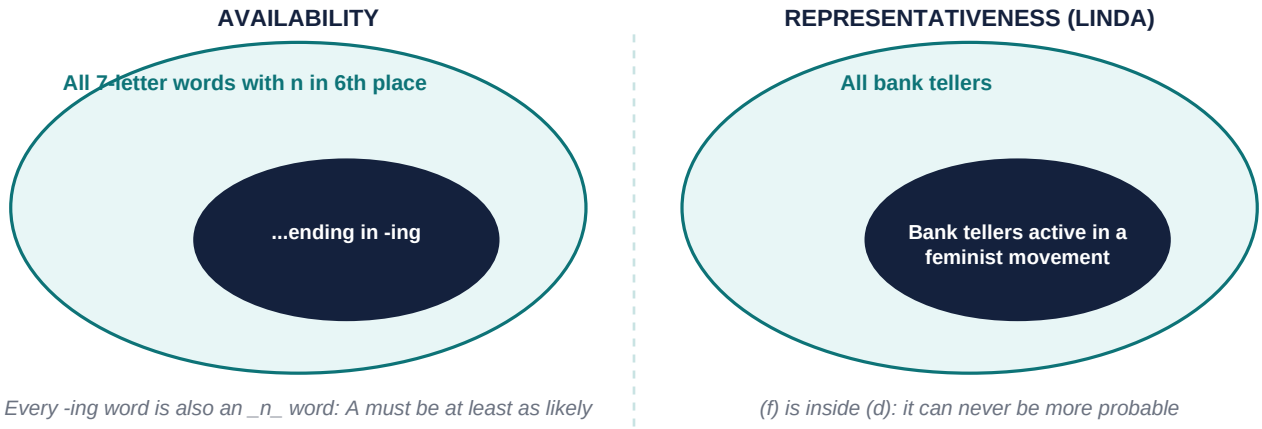


Figure 1.4: In both experiments the option people found more likely is a subset of the one they found less likely.

AVAILABILITY (DEFINITION ON THE SLIDE)

Examples that are more easily available to us - easier to recall - carry a higher weight in our decisions and in how probable we judge an event to be.

Availability in buyers' minds

One bad experience spreads across categories. Suppose you had trouble with an LG smartphone. Next time you shop for a washing machine, would you buy LG? Most people say no - though a washing machine and a smartphone share almost no technology. The bad memory is easily available, so it gets a high weight and colours unrelated decisions.

Recent, vivid events feel likely. A participant raised plane crashes. The professor recalled that the Air India crash on a London-bound flight happened a day before she was to fly to Dubai; suddenly the odds felt like

50:50, and relatives called to wish her luck. Another participant, then in Prague, said colleagues there were still talking about it. Driving is statistically far riskier, but the crash was vivid and recent.

What brands must do when something goes wrong

Because failures are so easy to recall, how a brand handles a crisis decides how long the memory hurts it. The professor gave four examples.

Situation	What happened	Lesson
Taj Mahal Palace, Mumbai, after the 26/11 terror attack (2008)	The hotel had to reopen and say "we are open" without sounding cold, and without replaying images of the hotel in flames. It used home as a metaphor - come back, come home, feel safe.	Address the fear people can easily recall, with care.
Malaysia Airlines MH370 (2014), which went missing	The airline went silent at first, then spoke under media pressure, with its messages contradicting officials'. Trust collapsed. Months later a second Malaysia Airlines plane, MH17, was shot down over Ukraine - not the airline's fault - and the airline was pushed towards bankruptcy.	Silence lets customers write their own story.
AirAsia crash (late 2014)	CEO Tony Fernandes became the face of the response, met families, arranged their stay at the site at the airline's cost and was available around the clock. The business was far less damaged.	Communicate early, personally and consistently.
A product failure (the LG example)	Research suggests a brand rated 3 out of 5 that drops to 1 after a failure can recover to 4 - higher than before - if the failure is handled well.	Good after-sales service can turn a failure into loyalty.

> *"Even if you feel you are not at fault, start communicating. Otherwise customers will come up with their own narratives."*
>
> **The professor on crisis communication, paraphrased**

Availability and advertising

The everyday application is recall. In **impulse categories** - chocolates, soft drinks, chips - customers do not deliberate at the counter; they pick what comes to mind. Jingles, taglines and repeated advertising exist to make the brand the most available option at the point of purchase.

> **GOOD TO KNOW - TWO DATES CHECKED**
>
> The professor recalled the Taj attack as 2006; it took place on 26 November 2008 ("26/11"). The 2014 AirAsia flight, QZ8501, was flying from Surabaya in Indonesia to Singapore when it crashed into the Java Sea; it was not bound for Beijing (MH370 was the Beijing-bound flight).

MANAGER'S TAKEAWAY

Assume customers remember your worst moment best. A product company should treat after-sales service as brand-building, because one failure handled well can lift the brand above where it was. A service provider facing an incident - an outage, a missed alert - should communicate first, openly and through a senior face, before the client's own narrative sets in.

1.08 Representativeness: Judging by the Stereotype

Fourth experiment, open to everyone. **Linda** is 31, single, outspoken and very bright. She majored in philosophy. As a student she was deeply concerned with discrimination and social justice, and took part in anti-nuclear demonstrations. Rank six descriptions by how likely they are: (a) elementary school teacher; (b) active in a feminist movement; (c) psychiatric social worker; (d) bank teller; (e) insurance salesperson; (f) bank teller who is active in a feminist movement.

The professor asked the class to focus on (d) and (f). Of about 25 responses, only 5 ranked (d) above (f). Yet (f) can never be more likely than (d): every feminist bank teller is a bank teller, so (f) is a subset of (d) (Figure 1.4). Linda must meet two conditions to be (f) and only one to be (d). People ranked (f) higher because it **fits the description** - the stereotype of Linda - and fit overrode probability.

> **REPRESENTATIVENESS (DEFINITION ON THE SLIDE)**
>
> Assigning a high probability when categorising a situation or item based on how well it fits our pre-existing prototypes - often stereotypes.

Everyday versions: you see someone in a white coat and assume a doctor. The professor said a new fast-food outlet was opening near the campus and asked what food the class imagined; the answers were rolls and chowmein - fried, unhealthy. It might serve healthy food, but "fast food" fits a prototype.

Marketing implications

Application	How it works	Example
Celebrity endorsers	An endorser stands for certain attributes; you want them to rub off on the brand.	Choosing a star whose image matches what the brand wants to say.
Category cues	A strong brand can come to represent a category's attributes; others can borrow its visual cues.	Pears made a translucent soap stand for gentle, soft, pure. Any brand wanting to signal gentleness can use a translucent look and be read instantly.
Breaking a prototype	If a category leader defines what a product of that type looks like, a challenger that does not fit the prototype must spend heavily to be seen differently.	A soap that wants to be seen as mild and caring but does not look like the category's gentle prototype has to work much harder - discussed in the session's case.

CONCEPT TRAP: HEURISTICS ARE NOT POSITIONING

A participant asked which heuristic brand positioning falls under. The answer: none. Heuristics describe how customers make decisions; positioning is a strategic choice the firm makes (Session 0, STP). Marketers can use their knowledge of heuristics to support a positioning - for example, by borrowing a category cue - but the two are different things.

MANAGER'S TAKEAWAY

Customers judge you by what you resemble. A product company entering a category should decide whether to look like the prototype (instant understanding) or deliberately unlike it (harder, costlier, but differentiating). A service firm is read the same way: a security provider whose reports, people and website look like an engineering firm's will be assumed to understand plants.

1.09 The Decoy: Adding a Dominated Alternative

Fifth experiment: choosing a detergent. Questionnaire A offered two brands: **X** at $3.00 with a quality rating of 5, and **Y** at $3.80 with a quality rating of 6. Questionnaire B offered the same X and Y plus a third brand, **Z**, priced above X with the same quality rating of 5. Which would you buy?

Rationally, Z should change nothing - nobody should want it. One participant even argued, with good logic, that X should do better in A. But the share choosing X was **higher in B**. Why? Z is clearly worse than X - dearer for the same quality - but it cannot be directly compared with Y. Its presence gives X an easy win. Shoppers who were torn between X and Y - the **fence-sitters** - now have a reason to settle on X.



Figure 1.5: Z sits in the zone that X beats on both price and quality. It exists to make X look good.

ADDING A DOMINATED ALTERNATIVE (THE SLIDE)

The tendency to prefer X over Y can be increased by adding a third alternative that is clearly inferior to X but not to Y. The third option is a decoy - which is why this is also called the **decoy effect**.

A marketer does not want to sell the decoy. To push X, create something clearly inferior to X. To push Y instead, create a decoy dominated by Y - for example, the same price as Y with lower quality, or a higher price with the same quality.

Popcorn pricing

Earlier, during anchoring, a participant had raised multiplex popcorn. The professor came back to it here. A small tub might cost around Rs. 600, a medium around Rs. 750 and a large around Rs. 800. The medium is the decoy: it costs almost as much as the large but gives much less. The raw material costs almost nothing, so every extra rupee is profit, and the cinema wants you to buy the large tub. The same logic applied to the professor's own experience of a medium Coke priced close to an unlimited one. There is some anchoring here too, but the sharper label is the decoy - one option exists only to make another look good.

The Economist's subscription

The Economist magazine once offered a web subscription for $59 and web-plus-print for $125. The company earned more when readers chose web-plus-print, but about 80% chose web only. How would you use a decoy? Participants proposed changing the prices; one proposed adding a third option - a print-only subscription. That is what the magazine did: **print only, at $125**, the same price as web-plus-print. Nobody wants print alone at that price, but it makes web-plus-print look like a free gift of the web edition. In the class's telling, the split shifted to about 70% choosing web-plus-print.

Option	Before	After adding the decoy
Web only - $59	About 80% chose this	About 30%
Print only - $125	Not offered	The decoy: almost nobody
Web + print - $125	About 20%	About 70%

More examples from the professor: an optician's chain lays out lens options so that one is clearly better value than its neighbour; and when the iPhone 14 range launched in India, the professor's account was that the Pro at about Rs. 1.3 lakh made the Pro Max at about Rs. 1.4 lakh look like a small step up, and the Pro Max sold strongly.

Does the decoy ever fail? Companies would not announce it if it did, and nothing works every time. Two participants chose Z in the experiment. One simply went for the middle option - the **Goldilocks effect**: not the cheapest, not the dearest, the one in between. Others ignore the stated quality and infer that the dearer product must be better, because price is such a strong cue to quality.

MANAGER'S TAKEAWAY

Design your range, not just your products. A product company with two variants should ask which one it really wants to sell and whether a third, slightly worse option would make that one obvious. A service firm can do the same with tiers: a Standard tier, a Premium tier, and a middle tier priced close to Premium with clearly less, so that Premium reads as the sensible choice.

1.10 Mental Accounting

Last experiment, open to all. **Situation A:** you bought a concert ticket for Rs. 2,000. At the hall you find you have lost the ticket. Would you buy another? **Situation B:** you are going to the concert to buy a ticket at the door. At the hall you find you have lost a Rs. 2,000 note. Would you still buy the ticket? (Assume you have travelled to the venue in both cases and have enough money in your wallet.)

Many said no in A; almost everyone said yes in B. Yet the money is identical: in both cases, watching the concert now costs you Rs. 4,000 in total. One participant explained the difference exactly: in A the ticket was already paid for, so buying another feels like paying twice for the concert; in B the lost money doesn't feel connected to the concert at all.

> **MENTAL ACCOUNTING**
>
> People keep separate mental accounts for different purposes. Losing the ticket drains the "concert" account, so a second ticket feels like spending Rs. 4,000 on one concert - over budget. Losing cash drains a general account, so the concert budget is untouched. Same money, different accounts, different decision. As the slide notes, people typically say yes more in Situation B.

The professor played a short clip in which a friend of the actor Dustin Hoffman recalls lending him money in their struggling days. At Hoffman's flat he found a row of jars labelled food, entertainment, books and so on. All had money except the one marked food - and Hoffman would not take money from the other jars to buy food. That is mental accounting in its purest form.

Where marketers use it: managing waiting time

The slide asked how you would reduce the waiting time at an airport baggage claim. The professor's example was Houston airport. Passengers complained about waiting around 8 minutes for their bags at the belt. First the airport added baggage handlers and improved service at the belt; the complaints did not fall. Then it moved the arrival gates farther from the belt. Passengers now walked for about 6 minutes and waited about 2. The total time was the same, but complaints dropped sharply.

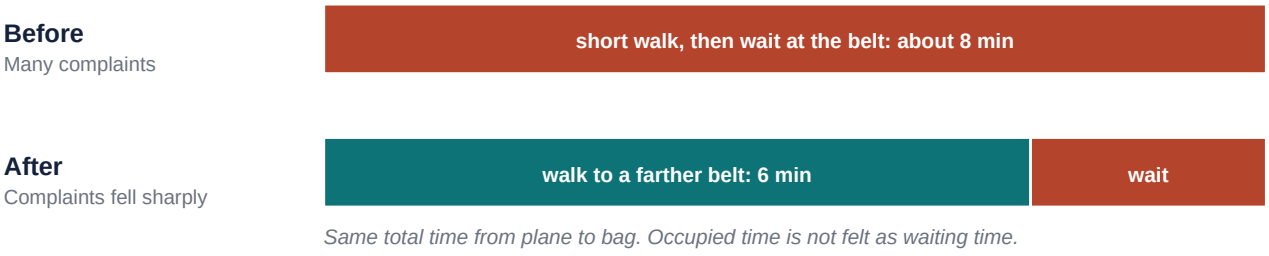


Figure 1.6: Houston airport did not cut the time - it moved it from the waiting account to the walking account.

Time, like money, is booked into accounts: occupied time is not felt as waiting time. Retailers use the same idea - TV screens, magazines, impulse products near the queue, mirrors in clothing stores - anything that keeps the customer occupied.

MANAGER'S TAKEAWAY

Customers judge the account, not the total. A product company can bundle (one price for the phone, case and warranty feels smaller than three separate payments) or separate charges deliberately to match how buyers budget. A service firm should fill waits - an onboarding portal with progress updates during a three-week deployment makes the same three weeks feel shorter than silence.

1.11 More Price Cues the Class Asked About

Participants kept pulling the discussion towards pricing, and the professor answered several questions that go beyond the five heuristics on the slides. They are worth knowing as separate effects, and she promised a pricing session later if time allowed.

Effect	What it says	Example from class
Left-digit effect	The leftmost digit has the most influence on how a price is read.	Rs. 999 reads as "nine hundred-something", Rs. 1,000 as "a thousand".
Prices ending in 9	A 9-ending signals a deal or discount.	An apparel experiment: cutting a price from $39 to $34 **reduced** sales - by about 25%, as the professor recalled - because $39 looked like an offer.
Prices ending in 0	A round price signals quality.	A premium brand that does not want a discount image may prefer Rs. 5,000 to Rs. 4,999.
Veblen (snob, prestige) effect	For some luxury goods, demand rises as price rises, because exclusivity is the point.	Called the Veblen effect after the economist who described it, and sometimes the Chivas Regal effect.
Price as a quality cue	When unsure, buyers infer quality from price.	Some US universities raised tuition as their rankings slipped, to signal quality. A participant asked if EPBM fees worked the same way; the professor smiled that it was a great question.
Sensitivity to price vs quantity	Buyers react more to a price change than to a quantity change.	Shrinkflation: firms hold the price and shrink the pack instead.
Price thresholds	Demand can drop sharply when a price crosses a familiar point.	Rs. 10 and Rs. 20 packs: moving from Rs. 10 to Rs. 11 can lose far more sales than the rupee suggests. This is why FMCG firms prefer to adjust grams rather than cross the threshold - and why they resist fixed standard pack sizes.
Scarcity	Limited time, limited stock or limited editions create urgency (FOMO).	"Last chance", "only 2 left".

A NOTE ON LUXURY BRANDS

A participant argued that brands like Louis Vuitton never use anchors, discounts or bonus packs. Fair: these tactics make a price look good, which is not what a luxury brand wants. Luxury works on the snob or Veblen effect instead. Even that holds only within a range of prices - beyond a point, demand will fall - so firms should test their own sweet spot rather than assume.

"These findings come from experiments. You may want to run your own to see what works in your category."

The professor, paraphrased

MANAGER'S TAKEAWAY

Every price ending sends a signal - choose it on purpose. A mass-market product can use Rs. 99 and bonus packs; a premium product should consider round numbers and no visible discounting. A professional-services firm quoting Rs. 9,99,000 instead of Rs. 10,00,000 looks like a discounter; a round fee says "this is what our expertise costs".

1.12 Lessons from the First Case Discussion

The last part of the class opened the module's first case: a premium soap, launched in a new region, that was falling far short of its market-share target. The discussion continued into the next session. The case itself is not retold here. What matters are the lessons the professor drew about analysing any case - lessons that apply in every subject.

The method, again

Asked how to approach a case, participants were reminded of the method from Session 0 (Section 0.13). Find the dilemma - read the opening and closing paragraphs closely, since case writers state the issue at the start and close the loop at the end. Break the main problem into sub-problems. Identify the options. Develop the pros and cons of each. Recommend, and support the recommendation with the case's data. In this case the options were clearly laid out (broadly: withdraw the brand, make small changes to the strategy, or make major changes including to the product). Often they are not, and you have to find them.

WHAT THE EVALUATOR IS LOOKING FOR

"We are least interested in the answer." The professor was explicit: you are judged on whether you developed the pros and cons of each option, not on which option you picked. Any option can score well if it is well argued. What cannot score well is a recommendation that goes against the data in the case.

Five lessons from the discussion

Lesson	What happened in class	The principle
Research where you sell	The market research had been done in the company's head-office city, not in the region where the product was launched. Why? A participant guessed it right: convenience.	Firms often choose what is easy to implement; that convenience introduces bias. Research must represent the market you are entering.
A number needs a reference point	A participant called one-third of respondents willing to buy "a bad number". The professor asked: bad compared to what?	Judge a number against a benchmark - a target, a competitor, a category norm - never in isolation.
Read the exhibit correctly	One participant read a row in a research exhibit as the weakest result, when its percentage jump between non-users and users was actually the largest.	Know what each column means (total sample vs triers), and distinguish absolute levels from changes.
Check the unit	A participant treated a figure for households as if it were population.	Households, people, units and rupees are not interchangeable. Check the unit before you multiply.
"Do more research" is not a recommendation	One proposal was to start over with fresh research.	Use the research you have. A recommendation must say what to change - across all 4Ps.

The professor's homework for the next session was to go back through every exhibit and test the case against all four Ps: is the price right, is the product right, is the advertising right, is the distribution right? If you recommend small changes, name them; if major, name those.

MANAGER'S TAKEAWAY

These are the same disciplines a manager needs with any research report. Before acting on a product survey, ask where it was run and whether that matches the market. Before acting on a service satisfaction score, ask what it should be compared with. And when a team recommends "more research", ask what decision the existing research already supports.

1.13 Product, Service and the Manager's Desk

Heuristic or effect	In a product business	In a service business
Anchoring	Struck-through MRP; premium models at the store entrance	Table your fully scoped price first; state a turnaround you can beat
Framing	"90% fat free"; "20% extra" bonus packs	Report "99% within SLA" before the exceptions; frame incentives as added service
Availability	One failure taints the whole brand; jingles drive impulse recall	An outage is remembered longest - communicate first and openly

Heuristic or effect	In a product business	In a service business
Representativeness	Borrow category cues (translucent = gentle); choose endorsers who fit	Look and sound like the specialists clients expect
Decoy	Popcorn tub sizes; three-variant ranges	Three service tiers with a middle one that makes Premium obvious
Mental accounting	Bundle or split charges to fit buyers' budgets	Fill waiting time with progress updates and visible activity

The manager's checklist from this session

#	Discipline	What it looks like on Monday morning
1	Assume bounded rationality	Design for a buyer with limited time, attention and information.
2	Set the first number	Show a reference price, a list price or a fully scoped option before the offer.
3	Write the claim both ways	Choose the gain frame deliberately, without hiding the facts.
4	Compare offers per unit	Convert "x% more" into an effective discount before approving a promotion.
5	Plan for your worst moment	Have a crisis-communication plan; speak first and with one voice.
6	Build recall in impulse categories	Jingles, taglines and visibility at the point of purchase.
7	Decide whether to fit the prototype	Borrow category cues for speed, or break them knowingly and budget for it.
8	Design the range	Ask which option you want to sell, and what decoy would make it obvious.
9	Manage occupied time	Turn waiting into walking, watching or browsing.
10	Test in your own category	Run small experiments on price endings, frames and ranges before rolling out.

The sharpest lines of the session

> *"We are often confident even when we are wrong."*
>
> **Daniel Kahneman, quoted on the class slide**

> *"You know the original price is not the true price, but you still use it."*
>
> **On anchoring**

"A discount is still a loss - only a smaller one. More feels like a gain."

On 33% more versus 33% off

"Even if you are not at fault, start communicating, or customers will write their own story."

On availability and brand crises

"We are least interested in your answer; we are interested in your pros and cons."

On case analysis

ONE-BREATH SUMMARY

Economists assume buyers are rational and predictable, psychologists say they are subjective and unpredictable, and research shows they are boundedly rational - limited in ability, time and information - so they use heuristics (mental shortcuts) and settle for satisficing choices, which creates predictable biases that behavioural economics, boosted by Kahneman's 2002 Nobel, studies. Marketers can use six of them: anchoring (the first number sets the scale - strike-through prices, store placement, Disney's queues, the $1,000 sundae); framing (gain beats loss - "survive" not "die", 33% more beats 33% off even though 33% more is only 25% off); availability (what is easily recalled feels likely - so manage crises openly and build recall for impulse buys); representativeness (fit to a stereotype beats probability - Linda, the white coat, the translucent soap); the decoy (an option clearly worse than X but not Y pushes buyers to X - popcorn, The Economist); and mental accounting (money and time sit in separate accounts - the lost ticket, the Houston baggage walk). As a marketer, use them; as a consumer, beware of them.

1.14 Practice Questions for Session 1

Thirty questions covering every section - definitions, calculations, applications and traps. Several options are true statements that answer a different question; read the reason under each answer. More questions on this session, mixed with the others, are in the Mixed Question Bank after Session 5.

Q1. In standard economic theory, the buyer is assumed to be:
(a) Subjective, shaped by culture, and so unpredictable
(b) Guided mainly by emotion, habit and social pressure
(c) Rational only within limits, relying on shortcuts
(d) Rational, utility-maximising and therefore predictable

Answer: (d) - No emotion attached: he weighs every option and maximises utility.

Q2. Bounded rationality arises because buyers have limited:
(a) Cognitive ability, time and information
(b) Income, savings and access to credit
(c) Brand loyalty, trust and experience
(d) Access to shops, stock and delivery

Answer: (a) - These three limits push people to use heuristics.

Q3. A heuristic leads a buyer to a decision that is:
(a) Always optimal
(b) Satisficing - good enough, not necessarily the best
(c) Always irrational
(d) Identical to the economist's prediction

Answer: (b) - Mental shortcuts trade accuracy for speed.

Q4. Behavioural economics gained momentum after 2002, when the Nobel Prize in economics went to:
(a) Richard Thaler
(b) Dan Ariely
(c) Thorstein Veblen
(d) Daniel Kahneman

Answer: (d) - Kahneman, a psychologist, won in 2002; Thaler won in 2017.

Q5. Two groups estimate the same engineer's salary. One question mentions a low figure, the other a high one, and the second group's estimates are higher. This is:
(a) Framing
(b) Availability
(c) Anchoring
(d) Mental accounting

Answer: (c) - A suggested value for an unknown quantity pulls the estimate towards it.

Q6. Showing "Rs. 4,999" struck through above "Rs. 2,499" mainly uses:
(a) Anchoring
(b) Representativeness
(c) The decoy effect
(d) Mental accounting

Answer: (a) - The original price becomes the reference for judging the sale price.

Q7. An electronics store places its most expensive TVs at the entrance. The intended effect is that shoppers:
(a) Buy the most expensive model on display at the entrance
(b) Leave the store quickly because the prices look too high
(c) Compare the price per inch of every screen in the store
(d) Raise the price they consider normal for the TV they came to buy

Answer: (d) - Placement anchors - a Rs. 40-50K budget drifts towards Rs. 70K.

Q8. Airlines publishing a scheduled time longer than actual flying time, so that flights "arrive early", is an application of:
(a) Availability of recent delays
(b) Anchoring on expected time
(c) Scarcity of seats on the flight
(d) The Veblen effect on fares

Answer: (b) - Like Disney's posted wait times, the stated time sets the expectation.

Q9. "50% of patients survive" produces more yeses than "50% of patients die". This shows:
(a) Anchoring
(b) Availability
(c) Framing
(d) Representativeness

Answer: (c) - Same information, presented as a gain versus a loss.

Q10. A bottle offers "33% more" for the same price. Its effective discount is about:
(a) 25%
(b) 33%
(c) 20%
(d) 67%

Answer: (a) - 100 / 1.33 = Rs. 75 a litre, i.e. 25% off.

Q11. A "25% more" offer is equivalent to a price cut of:
(a) 25%
(b) 20%
(c) 33%
(d) 15%

Answer: (b) - 1 / 1.25 = 0.80, so 20% off per unit.

Q12. Most people choose "33% more" over "33% off" because:
(a) "More" is the better deal per litre, as the arithmetic shows
(b) A larger bottle is more convenient to carry home and store
(c) A discount makes buyers doubt the quality of the product
(d) "More" feels like a gain, while a discount is still felt as a loss

Answer: (d) - People prefer gains to reduced losses, even when the reduced loss is worth more.

Q13. Which statement is a positive frame of the same fact as "8% skipped their second dose"?
(a) "Millions are skipping their second dose"
(b) "Vaccines are 92% effective"
(c) "92% returned for their second dose"
(d) "8% of doses are wasted"

Answer: (c) - Same fact presented as a gain - more motivating for people on the fence.

Q14. The Tata Nano being widely seen as the "cheapest car" is NOT an example of framing because:
(a) Framing applies to offers and discounts, not to the image of a product
(b) Framing is how the company presents information; the Nano's image came from media coverage
(c) The Nano was not in fact cheap once taxes and registration were added
(d) Framing works only when a fact is expressed as a percentage or a share

Answer: (b) - The company did not frame it that way - it got positioned by the media.

Q15. Asked about seven-letter words, people expect more "_ _ _ _ i n g" words than "_ _ _ _ _ n _" words. This is wrong because:
(a) Every -ing word also has n in the sixth position, so the n-set is larger
(b) Words ending in -ing are in fact very rare in the pages of a novel
(c) The two sets of words do not overlap, so they cannot be compared
(d) Seven-letter words are too uncommon for either estimate to be right

Answer: (a) - The -ing words are a subset; the error comes from how easily they come to mind.

Q16. After a bad experience with a brand's smartphone, a buyer avoids its washing machines. This is mainly:
(a) Anchoring
(b) The decoy effect
(c) Availability
(d) Mental accounting

Answer: (c) - The easily recalled failure gets high weight, even across unrelated technologies.

Q17. The class's lesson from MH370 and from AirAsia's 2014 crash was that after a crisis a brand should:
(a) Stay silent until all the facts are known
(b) Change its brand name
(c) Cut prices immediately
(d) Communicate early, consistently and with a visible face

Answer: (d) - Silence lets customers create their own narratives; AirAsia's open handling limited the damage.

Q18. Jingles and taglines matter most in impulse categories because of:
(a) Representativeness of the category
(b) Availability at the point of purchase
(c) Mental accounting of small amounts
(d) The Veblen effect on cheap goods

Answer: (b) - What is easily recalled gets picked when buyers do not deliberate.

Q19. Most people rank "Linda is a bank teller active in a feminist movement" above "Linda is a bank teller". This shows:
(a) Representativeness
(b) Anchoring
(c) Framing
(d) Mental accounting

Answer: (a) - Fit to the stereotype beats probability, although (f) is a subset of (d).

Q20. A new soap uses a translucent bar to signal gentleness, borrowing a cue that Pears made famous. This uses:
(a) The decoy effect
(b) Anchoring
(c) Mental accounting
(d) Representativeness

Answer: (d) - The cue fits a pre-existing prototype of a gentle soap.

Q21. Brand positioning is best described as:
(a) A kind of heuristic that customers use to choose quickly
(b) Another name for framing a brand's message as a gain
(c) A strategic choice by the firm, separate from the heuristics customers use
(d) The same as availability, since both are about recall

Answer: (c) - Heuristics describe customer decisions; positioning is part of the firm's STP.

Q22. X costs $3.00 (quality 5) and Y costs $3.80 (quality 6). Adding Z, priced above X with quality 5, will most likely:
(a) Increase the share choosing X
(b) Increase the share choosing Y
(c) Leave choices unchanged
(d) Make most people choose Z

Answer: (a) - Z is dominated by X but not by Y, so fence-sitters move to X.

Q23. To push buyers towards Y in the same set, a marketer should add an option that is:
(a) Clearly inferior to X but not to Y
(b) Clearly inferior to Y but not to X
(c) Better than both X and Y
(d) Identical to X

Answer: (b) - The decoy must be dominated by the option you want to sell.

Q24. The Economist added a print-only subscription at the same $125 as web-plus-print. Its purpose was to:
(a) Sell more print-only subscriptions
(b) Reduce printing costs
(c) Make web-plus-print look like the obvious choice
(d) Test price sensitivity for the web edition

Answer: (c) - Print-only is the decoy; almost nobody chooses it.

Q25. A shopper always picks the middle-priced option of three, regardless of features. This is called the:
(a) Veblen effect
(b) Availability heuristic
(c) Framing effect
(d) Goldilocks effect

Answer: (d) - Not the cheapest, not the dearest - the one in between.

Q26. Most people would not buy a second concert ticket after losing the first, but would buy one after losing the same amount in cash. This is explained by:
(a) Framing
(b) Mental accounting
(c) Anchoring
(d) Representativeness

Answer: (b) - The lost ticket drains the concert account; lost cash drains a general account.

Q27. Houston airport cut baggage complaints by:
(a) Hiring more baggage handlers to unload the aircraft faster
(b) Installing a faster belt that delivered bags in half the time
(c) Offering vouchers to passengers who waited over 8 minutes
(d) Making passengers walk longer so they waited less at the belt

Answer: (d) - Total time stayed the same; occupied walking time is not felt as waiting.

Q28. An apparel store cut a price from $39 to $34 and sales fell. The most likely reason is that:
(a) Prices ending in 9 signal a deal, so $39 looked like an offer
(b) $34 is above a price threshold
(c) Customers expected a higher price for quality
(d) The store ran out of stock

Answer: (a) - 9-endings carry a discount perception; round numbers carry a quality perception.

Q29. For some luxury goods, demand rises as price rises. This is the:
(a) Decoy effect
(b) Framing effect
(c) Veblen (snob) effect
(d) Left-digit effect

Answer: (c) - Exclusivity is the product; a higher price keeps others out - within a range.

Q30. In the case discussion, the market research had been run in the head-office city rather than in the launch region. The lesson is that:
(a) A head-office city is usually a fair sample of the national market
(b) Convenience can bias research; research must represent the market you enter
(c) Market research adds little for consumer goods sold at low prices
(d) Only quantitative research, not interviews, can be relied upon

Answer: (b) - Firms choose what is easy to implement, and the results can mislead.

SESSION 2 OF 5

Understanding Customers

Market Research - Whom to Ask, How to Ask, and What People Actually Do - Involvement, Competitive Advantage and the Ansoff Matrix

Sunday, 11 October 2026 | Prof. Ritu Mehta | Live online session

WHAT THIS SESSION COVERS

Session 1 asked how to influence buyers; this one asks how to understand them in the first place - the research behind every marketing decision. Through a run of famous successes and failures (P&G's door-to-door interviewers, Gillette's razor for India, New Coke, Godrej's ChotuKool, Sleepy Owl's surveys and Tropicana's pack change) it shows that research fails not because it is useless but because companies ask the wrong people, ask the wrong way, or ignore how people actually buy. The case discussion then turned to pricing and promoting a novel low-priced product, the difference between low- and high-involvement categories, how to sustain an advantage competitors can copy, and the Ansoff matrix of growth options.

A NOTE ON SOURCES

Part of this class was not captured in the recording. Sections 2.01, 2.04, 2.05 and 2.07, and the opening of 2.06, are written from the class slides and the well-documented facts of each example; the remaining sections follow the recording. Anything beyond what was taught is marked Good to Know.

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2.01 Why Research the Customer?

Session 0 said marketing starts with the customer. But how does a company with thousands or millions of customers actually know what they want? It researches them - and the best companies have done so for a very long time.

The slides opened with Procter & Gamble. As early as the 1920s and through the 1940s, P&G's market research department, led by Paul "Doc" Smelser, sent thousands of interviewers door to door to talk to housewives about how they cooked, cleaned and washed. The slide's photograph shows one of those interviewers, notebook in hand, on a doorstep.

Decades later the method had evolved but the spirit had not. Under its CEO A.G. Lafley in the 2000s, P&G employees spent hours with women at home, **watching** them do the laundry, clean the floor, apply make-up and change their babies' nappies. They looked for small nuisances a new product could remove, then went back to the labs to solve the problem the customer cared about most. Lafley told his executives that women did not care about P&G's technology or which machine made a product. His summary, on the slide, was to **find out what she wants and give it to her** - a principle, he joked, that had worked in his marriage for 35 years and worked in laundry too.

> **THE SHIFT IN P&G'S APPROACH**
>
> From asking people what they want, to watching what they actually do. Observation reveals the nuisances people have stopped noticing and so never mention in an interview.

MANAGER'S TAKEAWAY

Spend time where your customer uses the product, not only where they buy it. A product company learns more from an hour watching someone clean a floor than from a day of surveys. A service firm learns more from sitting in a client's control room during a shift than from its annual satisfaction score.

2.02 "Customers Don't Know What They Want"?

Not everyone believes in research. Steve Jobs famously argued that customers do not know what they want until you show it to them - how could a customer have asked for an iPhone? Henry Ford is often quoted as saying that if he had asked people what they wanted, they would have said faster horses.

Yet when Apple and Samsung fought their long court battles over design, the documents disclosed showed how much customer research Apple actually did - including surveys of its own buyers about why they chose its products. Whatever Apple said in public, it did the research.

So the lesson the class drew was not that research is useless, but that research done badly misleads. Skip it and the odds of failure rise; do it badly and you can be confidently wrong. The rest of the session is really a tour of **how** research goes wrong - and how to avoid it.

Just before the break a participant put the other side: some products succeed by solving a problem people did not know they had, with no customer asking for them - he cited Google Maps - while the Tata Nano also set out to solve a problem and failed. Both halves of that observation are true, and they point the same way: nobody asks for a map on a phone, but everybody can describe the trouble of being lost. Research finds the trouble;

the company invents the answer.

She gave an example from a guest session by a senior executive of Maruti, who had earlier worked with Nissan. Before launching a new car, his company had paid to bring in respondents to give feedback on the design. One evening he saw one of those well-paid respondents waiting at a bus stop - not remotely the target customer for the car. The data was coming from the wrong people.

> **GOOD TO KNOW - THE FORD QUOTE**
>
> There is no solid evidence Henry Ford ever said the "faster horses" line; it is widely attributed to him. The point stands either way: customers are good at describing problems, less good at inventing solutions. Research should uncover the problem; designing the solution is the company's job.

CONCEPT TRAP: BAD RESEARCH IS NOT THE SAME AS NO RESEARCH

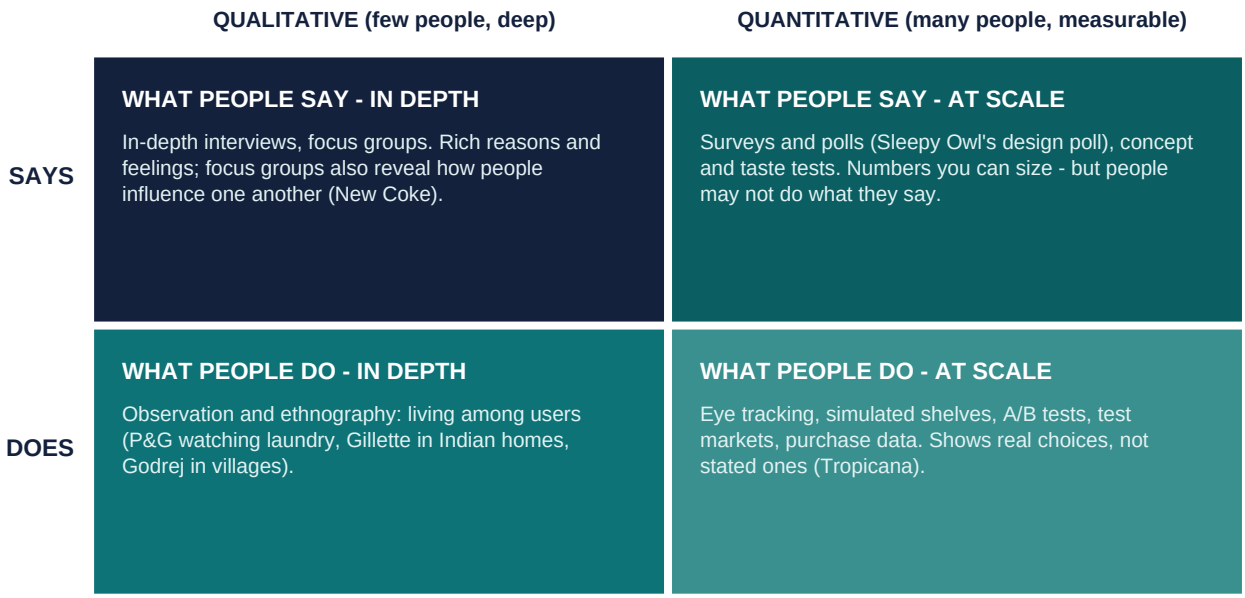
Research can go wrong at every step - whom you ask (the bus-stop respondent), what you ask, how you ask, and how you read the answer. The lesson from a failure is to fix the method, not to abandon research.

MANAGER'S TAKEAWAY

Check who your respondents are before you trust their answers. A product company recruiting a panel should verify that panellists match the target segment. A service firm asking for feedback should hear from the people who use the service daily, not only the executive who signs the contract.

2.03 The Researcher's Toolkit

Across the session the class met many research methods. They can be organised along two questions: is the method about what people **say** or what they **do**; and is it **qualitative** (a few people, in depth) or **quantitative** (many people, measurable)?



An organising picture for the methods discussed in class

Figure 2.1: The research methods discussed in class, organised by what they capture.

Method	What it is	Seen in class
In-depth interview	One-to-one conversation to uncover reasons and feelings	P&G's door-to-door interviewers
Focus group	A moderated group discussion of 6-10 people; reveals how people influence each other	New Coke's lesson (Section 2.05)
Observation	Watching people use or buy, without relying on what they say	P&G watching laundry; observing shoppers in store
Ethnography	Observation over a long period, living within the community to see how a product fits into people's lives	Godrej's months in villages (Section 2.06)
Survey / poll	Structured questions to many respondents	Sleepy Owl (Section 2.07)
Experiment / A-B test	Show two versions to comparable groups and compare behaviour	Tropicana's lesson; Session 1's experiments
Eye tracking, shelf flash tests, simulated shelves	Measure what shoppers actually notice and pick	Tropicana (Section 2.08)
Observation plus post-purchase interview	Watch the purchase, then ask why this and not that	Tropicana
Test market	Launch in a limited region before going national	The session's case (Section 2.10)

OBSERVATION VERSUS ETHNOGRAPHY

The professor drew the line clearly: ethnography is a form of observation research carried out over a **longer period**, in which the researcher immerses himself in the community - how people live and how the product fits into their lives.

GOOD TO KNOW - A STANDARD WAY TO CLASSIFY RESEARCH

Textbooks also sort research by purpose. **Exploratory** research (interviews, focus groups, ethnography) discovers problems and ideas; **descriptive** research (surveys) measures how many people think or do what; **causal** research (experiments, A/B tests, test markets) tests whether a change causes an effect. A good programme usually uses more than one.

MANAGER'S TAKEAWAY

Use at least one "says" method and one "does" method before a big decision. A product company that only surveys will miss the shelf behaviour that sank Tropicana. A service firm that only reads usage logs will miss why clients are unhappy; one that only interviews will miss what they actually do.

2.04 Who You Ask Matters: Gillette in India

The slide carried a headline about Gillette executives spending a fortune developing a razor for India using focus groups of students at MIT - without considering that much of India lacked running water.

Gillette's first attempt, the **Vector** razor (2002), was designed with input from Indian students at MIT in the United States. Those students shaved like Americans, with running water to rinse the blade. In much of India, men shaved with a small cup of water, often in poor light. The Vector's twin blades clogged without running water. It was a massive flop.

For the next attempt, Gillette's developers went to India and watched men shave in their own homes and neighbourhoods - the "aha" moment that taught them about the market. The result was the **Gillette Guard**, a single-blade razor that was easy to rinse with little water, safe, and cheap. Launched in October 2010, it had over 50% of the market by volume within six months, and it came to account for two of every three razors sold in India.

GOOD TO KNOW - THE GUARD'S PRICE

The Guard was launched at about Rs. 15 for the razor and Rs. 5 for a replacement cartridge - a price built around the buyer the research had found.

CONCEPT TRAP: CONVENIENT RESPONDENTS ARE NOT REPRESENTATIVE RESPONDENTS

Indian students at MIT were Indian, convenient and articulate - and completely unrepresentative of how most Indian men shaved. Recall Session 1's lesson about research done in the head-office city: convenience is the most common source of bias.

MANAGER'S TAKEAWAY

Go where the customer is. A product company designing for rural or emerging markets should research there, under real conditions of water, power and light. A service firm designing for plants in another country should visit those plants, not interview colleagues at headquarters who once worked there.

2.05 What a Taste Test Misses: New Coke

The slide called it the biggest marketing failure. In the early 1980s Coca-Cola was losing ground to Pepsi, whose "Pepsi Challenge" blind taste tests kept showing people preferring the sweeter Pepsi. Coca-Cola developed a new, sweeter formula and tested it with around 200,000 consumers in blind taste tests, where it beat both old Coke and Pepsi.

In April 1985 the company replaced its original formula with **New Coke**. The reaction was furious: protest calls, letters, hoarding of the old drink, and media outrage. Within about three months - 79 days - Coca-Cola brought the original back as Coca-Cola Classic.

What had the research missed? The taste tests asked one question, about taste, to people sitting alone. They never asked how people would feel if the original Coke they had grown up with was **taken away** - its meaning, nostalgia and identity. And they could not show how people's views would change once they heard others' anger. In Coca-Cola's own group discussions, a few outspoken participants could swing the whole group against the change.

THE LESSON (FROM THE SLIDE)

Consideration of the effects of **social influence** should become a standard part of the new product development process.

The **focus group** is an important qualitative technique precisely because it can reveal these social interaction effects, which individual taste tests and surveys cannot.

Session 5 returned to the same story from the brand side: when people knew which drink they were tasting, brand loyalty changed their answers; in blind tests, it did not. Real buying happens with the brand visible.

MANAGER'S TAKEAWAY

Test the change, not just the product. A product company replacing a loved product should research the loss as well as the gain. A service firm changing a familiar report format or support process should ask how clients will feel about losing the old one - and listen to the group, not only the individual.

2.06 Ethnography and Its Blind Spot: ChotuKool

Godrej's **ChotuKool** is the slide's showcase of ethnography. Two Godrej executives (Sunderraman and Lonial, on the slide) travelled for many months, staying in villages in every part of India, observing what people needed and how they would use a fridge. As engineers produced prototypes, these were sent to villages in Maharashtra to be stress-tested in real conditions and to collect users' feedback. The professor knew one of the people behind it, who had been associated with an IIM programme on manufacturing run jointly with IIT Madras and IIT Kanpur, in which Godrej is an industry partner.

What the ethnography found	How ChotuKool answered it
The cheapest fridge cost Rs. 8,000-10,000; a 10-20% cut would not do - the price had to fall drastically	Priced at about Rs. 3,250-3,790 - less than half
Electricity bills must not run into three digits	Runs on a 12V DC supply with thermoelectric cooling and high-end insulation; low running cost
Frequent power cuts	Insulation and design to hold cool through outages
Servicing: where would we take it, and at what cost?	Few parts to fail; light enough (10 kg) to carry to a repair point on a bicycle
Tiny homes; small, frequent purchases	A compact 43-litre box; enough for milk, vegetables, fruit and water
Physics	Opens from the top, so cold air (which sinks) stays in

It came out around 2010. It keeps contents at 5-15 degrees - cool, not cold: it cannot make ice. The running cost was designed to stay around Rs. 50, and moving it for a repair to cost no more than a few hundred rupees. It won the 2012 Edison Award (gold, social impact category), many other innovation awards, case studies and international media attention.

Yet it did not succeed as hoped. One reason, from the professor's conversations with the team, was technical: in states where summer temperatures rise above 40-45 degrees, such as Rajasthan and Gujarat, it could not hold a consistently low temperature, and the team was working with MIT on better materials. Participants added price - even Rs. 3,000-4,000 seemed high to some for such a small box, with Rs. 2,000 suggested as nearer the mark - and doubts about whether that market needed the product at all.

The professor then showed the research team's own list of insights and asked where the launch went wrong, since every stated concern - price, running cost, space, servicing, power cuts - had been answered. Her answer was **researcher bias**. The researchers had read the needs through their own assumptions about what rural buyers should want. Why should a village family not want the same fridge as an urban family? A fridge is also aspirational. A small cooler that cannot make ice may meet every listed need and still not be what people want - an echo of the Tata Nano.

CONCEPT TRAP: MEETING EVERY STATED NEED IS NOT THE SAME AS MEETING THE REAL ONE

Research can be meticulous and still be filtered through the researcher's own picture of the customer. Ask what the customer aspires to, not only what the customer can afford.

MANAGER'S TAKEAWAY

Have someone challenge the research team's assumptions before launch. A product company designing a "low-cost version" for poorer customers should test whether they would rather save for the real thing. A service firm designing a stripped-down offer for smaller clients should check that those clients do not simply want the full service at a fair price.

2.07 Surveys Done Well: Sleepy Owl

The slides showed the opposite of research as a one-off event: Sleepy Owl, an Indian coffee start-up that runs short, friendly surveys with its customers ("Hey there, Sleepy Head!") and acts on the results. Its founders have said that nearly everything the company does comes from customer feedback and surveys, which help it shake off its own biases.

Area	What the surveys showed	What Sleepy Owl did
Formats	Even in peak summer, people did not want something cold first thing in the morning	Launched a hot brew
Flavours	Indians love flavours (Starbucks had popularised flavoured coffee)	Launched French Vanilla and Hazelnut - now bestsellers
Sustainable packaging	Over 60% of customers felt guilty about Sleepy Owl's plastic	Created recyclable, eco-friendly packs after a year of research
Advertising	Customers prefer low acidity, great aroma and a smooth taste	Used the words with the most appeal in ads, raising click-through rates



"Which of the 2 designs do you like more?" - a quick poll on cold-coffee cans (class slide)

Figure 2.2: A quick customer poll - one design was preferred almost two to one.

WHY IT WORKS

The surveys are short, frequent and tied to a specific decision - a format, a flavour, a pack, a word in an ad. Each answer changes something customers can see, which keeps them willing to answer the next survey.

MANAGER'S TAKEAWAY

Make research continuous and decision-linked. A product company can poll customers on two pack designs before printing either. A service firm can ask clients one question after each interaction and change something visible in response - customers keep answering when they see their answers used.

2.08 How People Actually Buy: Tropicana

The professor showed two Tropicana orange-juice packs side by side and asked which the class preferred. The chat split roughly evenly. The left was the old pack; the right, the new one. The juice was the same; the changes were cosmetic: "Pure Premium, No Pulp" became "Pulp Free"; the horizontal Tropicana logo became vertical; "100% pure and natural" became "100% orange"; the famous image of an orange pierced by a straw was replaced by a glass of juice; and the cap was redesigned to look like an orange.

Several participants preferred the new pack: it looked more modern, its claims were clearer, and packaging should evolve with a new generation. Then the professor revealed what happened. Tropicana spent about $35 million on advertising, $50 million in all, on the relaunch - and its sales fell 20% in less than two months, while the category's sales did not change.



About $35 million on advertising and $50 million in all on the relaunch (slide). Shoppers could no longer find the familiar orange.

Figure 2.3: Tropicana's sales fell while the category's did not.

Why? A participant suggested trust: a changed pack can look like a fake. That happens - it is exactly what hit Fair & Lovely in rural markets (Session 4) - but here the explanation was simpler. Shoppers had been buying Tropicana by scanning the shelf for that orange with a straw. Remove it, and Tropicana blended into every other brand; shoppers settled for whichever juice was in front of them.

CONCEPT TRAP: HABIT IS NOT EMOTION

A participant called the loss of the familiar orange an emotional loss. The professor corrected the label: reaching for the orange is buying behaviour - a learned habit of search - not emotion. The process she described was right; the name was wrong.

THE LESSONS (FROM THE SLIDE AND CLASS)

Research how people actually buy, not only what they like. Liking a pack and finding it on a shelf are different things.

Use the right tools: shelf flash images that test recall and recognition alongside emotions; eye-tracking studies; A/B testing; computer-simulated shelves where respondents are asked to buy a juice; observation in store followed by a post-purchase interview.

Don't fix what isn't broken. Tropicana was the leader, and it was never clear why the change was needed. Low-involvement brands sometimes change things just to create noise.

Change in steps, and communicate. A participant suggested gradual change; the professor agreed it is safer, though repeated pack changes are expensive - each needs new packaging and advertising so customers do not think the product is fake.

A participant raised advertising that overstates reality - a law in Japan, and the Maaza-versus-Slice debate about showing real mangoes. The professor mentioned a US lawsuit against McDonald's over burgers that looked bigger and fresher in ads than in real life; the court found for the company, reasoning that any reasonable person understands advertising images and must interpret them sensibly.

MANAGER'S TAKEAWAY

Before changing anything customers use to find you - a pack, a colour, a logo, a website layout - test whether they can still find you. A product company should run shelf tests. A service firm redesigning its portal or report format should watch real users try to find the three things they always look for.

2.09 How Long Can Research Take?

A participant asked a practical question: if a product takes two or three years to develop, the market may have changed by launch. Electric vehicles were his example - many carmakers researched, invested, and then found demand slower than expected. How should research handle this?

The professor separated two issues: how research is conducted, and how fast the market moves. The answer depends on the **product life cycle**. FMCG products have long lives - Lux and Pears still exist - so research can take its time. Technology products have short lives: when Apple launches a new feature in September, competitors copy it within months, which is why Apple and Samsung keep accusing each other of copying. Fast fashion works the same way: a design seen on the runway is in Zara's stores days later, tweaked just enough to avoid infringement. In fast-moving categories you cannot spend two years researching - by then someone else has launched.

MANAGER'S TAKEAWAY

Match the depth of research to the speed of the market. A product company in a slow category can afford long studies; one in a fast category should research in short cycles and launch, learn and adjust. A technology service firm should do the same: pilot quickly with a few clients rather than study for a year.

2.10 Lessons from the Case: Pricing and Promoting a Novel Product

The session's case was a novel hard-boiled candy launched by a company known for other products, with a strong existing distribution network. It became a runaway success. The case is not retold here; the class drew four general lessons from it.

1. Should a new product be priced high or low?

The candy was priced at twice the rupee price of the established candies. This dilemma comes with every launch, and the answer depends on several factors.

Factor	Points towards a higher price	Points towards a lower price
Competitor entry	Competitors can copy quickly - recover your R&D investment while you can	
Habit		In habitual categories (coffee, say), grabbing share first matters most
Goal	Margins	Market share and volume
Capacity	You know you cannot meet demand at a low price - price high deliberately	Capacity to serve volume
Nature of the product	Novelty in a hedonic (pleasure) product; the absolute amount is still tiny even if it is double	

A participant justified the price by the candy's greater weight. The professor disagreed that this could carry the decision: most customers cannot perceive a difference of a gram or two, so weight justifies a price only if the company communicates it.

2. Why not advertise at launch?

The candy spread by word of mouth and did not run a TV ad until about two years after launch. Why? Participants suggested keeping competitors unaware (the professor: do not assume dumb competitors), and that demand already exceeded supply. The professor's reasons:

Reason	Explanation
Advertising efficiency is low	Candy margins are tiny in absolute terms. Even a regional TV campaign costs crores, recovered only through huge volumes.
Availability must come first	If you advertise and the product is not on the shelf, a customer asks once, maybe twice - never a third time. The launch is make-or-break.
Word of mouth cannot be planned	In 2016 nobody could know a candy would go viral; the company did not plan on it.

Advertising does help impulse categories - recall at the counter matters - but only once supply is secure. The professor shared a personal example: a cement company launched smaller 25-kg bags with heavy marketing and a big launch event. Dealers unloading trucks threw the small bags as they threw the big ones; the seals

broke, the product was withdrawn, and by the time the improved bags arrived, the buzz had died.

3. Test market or national launch?

The case raises the classic dilemma of whether to test-market a product in a limited region before a national launch. A test market reduces risk and helps forecast demand; a national launch reaches the market before competitors can react. The class considered this partly answered by the case's experience of piloting first.

MANAGER'S TAKEAWAY

Launch sequence matters as much as the launch itself. A product company should secure supply and distribution before spending on advertising, and price a novelty to match capacity. A service firm launching a new offering should make sure it can deliver at quality before marketing it - a client who asks and is told "not yet" rarely asks again.

2.11 Low- and High-Involvement Products

What makes confectionery hard for marketers? Participants listed demand forecasting (stale stock is waste), loyalty to flavours rather than brands, easy copying by competitors and the unorganised market, and the need for high volumes to make up for low margins - which in turn demands strong distribution. These are typical problems of **low-involvement** categories.

INVOLVEMENT

In a low-involvement category the customer invests little time or thought and does not carefully evaluate options. Involvement rises with perceived **risk**: **economic** (how much it costs), **psychological** (what will people think of me - clothes, for example) and **performance** (will it work - a technology product or even a toy).

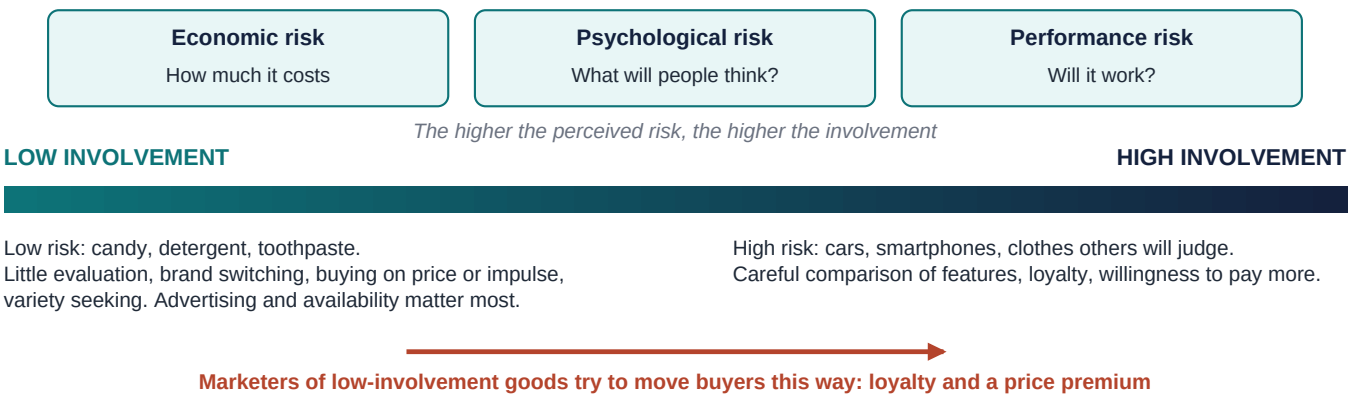


Figure 2.4: Involvement rises with perceived risk.

Turning a low-involvement purchase into a high-involvement one

Low-involvement buyers switch brands freely and buy on price: if they see no difference between toothpastes, they take whichever is on offer. So marketers try to **raise involvement** - to give buyers a reason to care and compare.

Tactic	Example from class
Introduce an ingredient people should look for	"Does your toothpaste contain salt?" - nobody had thought toothpaste needed salt until the ad asked
Introduce a new technology	Charcoal toothbrushes and toothpaste; flexi-neck brushes - most buyers never understand the science, but feel something better is there and pay Rs. 10 more
Dramatise a problem	Ads showing gums bleeding into an apple

Many of these are gimmicks that later vanish. But the payoff is real: an involved customer does not buy on price alone, builds **loyalty**, and is willing to pay a **higher price**.

A participant asked why brands like Colgate keep advertising when they are already established. Out of sight is out of mind: low-involvement categories benefit greatly from advertising, because buyers choose what they remember at the counter. A smartphone buyer, by contrast, compares features and does not buy because of one ad.

MANAGER'S TAKEAWAY

If customers see no difference, give them one worth noticing. A product company in a commodity category can create involvement through an ingredient story or a visible innovation. A service firm in a commoditised market can do the same by making a hidden quality visible - showing clients the threats it stopped, not just the hours it worked.

2.12 Sustaining a Competitive Advantage

The case's main dilemma, in the professor's words, was whether the company could **sustain its brand differentiation** - in other words, sustain its competitive advantage when large competitors and local copies were already imitating the product.

Participants suggested closing the demand-supply gap, reacting quickly to market changes, keeping customers engaged and continuing to innovate. The professor's view: product innovation and engagement are necessary, but the product alone will not give a lasting advantage, because it can be copied. The lasting advantage comes from how you **serve the retail channel**.

WHY THE RETAILER IS THE BATTLEGROUND

A kirana's scarcest resource is **shelf space**. A shopkeeper will not want two near-identical candies blocking his limited space - unless you give him a reason to stock the copy.

The reason you give him is a **stock-out**. If customers ask for your product and you cannot supply it, he will take the competitor's. So service level - frequent visits (three or four times a week rather than weekly), reliable replenishment, no gaps - is the real moat. Visibility at the counter matters too in an impulse category.

Retailer incentives, such as a best-retailer campaign in a locality, can help if they genuinely motivate shopkeepers.

Is there legal protection against copies? Not really, in practice - there are processes, but they are difficult to enforce. A participant added the ultimate form of brand strength: a **generic brand**, whose name becomes the category - people say "Xerox" for a photocopy, or ask for "Bisleri" when they mean bottled water.

MANAGER'S TAKEAWAY

When the product can be copied, compete on what is harder to copy: availability, service and relationships. A product company should measure its stock-out rate as closely as its sales. A service firm's version of shelf space is the client's attention and budget - keep earning it through reliability, and never give the client a reason to try the copycat.

2.13 Growth Options: The Ansoff Matrix

Participants raised other dilemmas from the case - should the company go international, should it extend the brand into other products? These are questions of **growth**, and the professor introduced a simple framework for them: the **Ansoff matrix**, or product-market growth matrix. On one side are existing and new products; on the other, existing and new markets - four ways to grow.

	EXISTING PRODUCTS	NEW PRODUCTS
EXISTING MARKETS	**MARKET PENETRATION** Lowest risk Existing product, existing market. Sharper pricing, bulk packs, online and modern trade, new usage occasions (juice for breakfast; brush twice a day).	**PRODUCT DEVELOPMENT** New product, existing market. New flavours and formats - a lollipop version of the candy, say.
NEW MARKETS	**MARKET DEVELOPMENT** Existing product, new market. Smaller towns; countries with a large Indian diaspora - tastes travel poorly elsewhere.	**DIVERSIFICATION** High risk, high reward New product, new market. A mango drink from a candy brand: new customers, new competitors (Coke, Pepsi). It did not do well.

Figure 2.5: The Ansoff matrix, with the class's examples.

Strategy	Product / market	Ideas from class	Risk
Market penetration	Existing product, existing market	Sharper pricing; bulk packs; selling online and in organised retail as well as kirana stores; stealing share; new usage occasions (a juice brand promoting juice for breakfast; a toothpaste brand urging people to brush twice a day)	Low
Product development	New product, existing market	More flavours; new formats such as a lollipop	Medium
Market development	Existing product, new market	Tier 3 and tier 4 towns; international markets	Medium
Diversification	New product, new market	A mango drink from a candy brand - new customers, a different price point and new competitors (Coke, Pepsi)	High

Diversification is the **high-risk, high-reward** strategy: succeed, and you have a new set of customers in a new category, no longer confined to confectionery; but the risk of failure is high - and the mango drink did not do well. Going international also needs care: food tastes are personal, and foreign buyers' online reviews of the candy called its taste weird. Markets with a large Indian diaspora, such as Singapore, are the natural starting point. A participant added brand partnerships and co-branding as further penetration ideas.

CONCEPT TRAP: THE LINES ARE BLURRED

Is a drink a new product for an existing market, or a new market? The professor placed it under diversification because drink consumers, price points and competitors all differ from candy's. Use judgement and justify the placement. (Session 3 applies the matrix again, in Section 3.15.)

A side discussion: brand images that stick

A participant asked how one company can sell the same type of product - an SUV, say - both as a status symbol and as a rugged off-roader. The professor's example was Tata cars, which for years struggled to shake off the image of a taxi drivers' brand, because so many of its cars were used as cabs. A single brand rarely stands for both status and utility. (A participant asked whether Tata's ownership of Jaguar Land Rover was a fighter brand; no - a fighter brand is launched to fight low-priced competitors and protect the core brand.)

MANAGER'S TAKEAWAY

List options in all four cells before choosing, and price the risk honestly. A product company usually finds its cheapest growth in penetration. A service firm moving into a new industry with a new service is diversifying, whatever it calls it - start with a pilot.

2.14 Product, Service and the Manager's Desk

Idea	In a product business	In a service business
Watch, don't just ask	P&G watching laundry	Sit in the client's control room
Ask the right people	Gillette researched in India, not at MIT	Hear from daily users, not just buyers
Social influence	New Coke's lost meaning	Clients' reaction to losing a familiar format
Researcher bias	ChotuKool's "what rural buyers should want"	Do not assume small clients want less
Continuous surveys	Sleepy Owl's flavours and packs	One question after every interaction
Actual buying behaviour	Tropicana's lost orange	Test portal or report changes with real users
Launch sequence	Availability before advertising	Deliverability before marketing
Involvement	Salt in toothpaste, charcoal brushes	Make hidden quality visible
Sustainable advantage	Service to the retail channel	Reliability that keeps the copycat out
Ansoff	Penetration first, diversification last	New service plus new industry = diversification

The manager's checklist from this session

#	Discipline	What it looks like on Monday morning
1	Combine says and does	Pair a survey or interview with observation or a behavioural test.
2	Check the respondents	Make sure the sample matches the target segment and the real conditions of use.
3	Research the loss, not only the gain	Ask how customers will feel about what is being taken away.
4	Challenge your own assumptions	Ask what customers aspire to, not only what they can afford.
5	Keep research continuous	Short, decision-linked surveys; show customers what changed.
6	Test findability before redesigning	Shelf tests, eye tracking, A/B tests.
7	Match research speed to the market	Short cycles in fast categories.
8	Supply before advertising	Never advertise what customers cannot find.
9	Raise involvement in commodity categories	Give buyers a reason to care and compare.
10	Protect the channel	Service level and no stock-outs keep copies off the shelf.

The sharpest lines of the session

"Find out what she wants and give it to her."

A.G. Lafley, P&G, on the class slide (paraphrased)

"People just bought Tropicana by looking for that orange."

The professor on the pack redesign

"Why would a village child not need the same thing as an urban child?"

On researcher bias

"Don't try to fix things which are not broken."

On Tropicana

"A customer will ask for your product once, maybe twice - never a third time."

On availability before advertising

ONE-BREATH SUMMARY

Good marketing rests on understanding customers, which is why P&G has sent interviewers door to door since the 1920s and now watches people at home; research does not fail because customers know nothing (Jobs, "faster horses") but because companies ask the wrong people (Gillette's MIT students, the paid respondent at the bus stop), miss social influence (New Coke, where focus groups would have revealed it), filter findings through their own bias (ChotuKool), or ignore how people actually buy (Tropicana's lost orange - test with shelf flashes, eye tracking and A/B tests), while companies like Sleepy Owl show continuous, decision-linked surveys working well; research speed must match the product life cycle. From the case: price a novelty with competitor entry, habit, goals and capacity in mind; secure availability before advertising a low-margin impulse product; recognise low-involvement categories (low economic, psychological and performance risk) and raise involvement to earn loyalty and a premium; sustain advantage through service to the retail channel, since shelf space is the retailer's scarcest resource and a stock-out invites the copy; and map growth with the Ansoff matrix, from low-risk penetration to high-risk diversification.

2.15 Practice Questions for Session 2

Thirty questions covering every section. Read the reason under each answer even when you got it right. More questions on this session, mixed with the others, are in the Mixed Question Bank after Session 5.

Q1. Under A.G. Lafley, P&G's research approach shifted mainly towards:
(a) Running larger telephone surveys across more cities each year
(b) Watching consumers in their homes to find nuisances a product could solve
(c) Testing products only in laboratories before any launch
(d) Relying on retailers' sales data to see what customers buy

Answer: (b) - Observation reveals problems people never mention.

Q2. The session's answer to Steve Jobs's view that customers don't know what they want was that:
(a) Research is indeed of little use for products that are truly new, as the iPhone showed
(b) Only a company with Apple's design strength can afford to launch without any research
(c) Customers should be asked to design the products they want, and firms should then build them
(d) Without research the likelihood of failure is higher; the lesson is how research goes wrong

Answer: (d) - Apple's own court documents showed extensive customer research.

Q3. The Maruti executive who saw a paid respondent at a bus stop illustrates a problem with:
(a) The sample - respondents who are not target customers
(b) The wording of questions, which led respondents to an answer
(c) The software used to analyse the data that was collected
(d) The advertising shown to respondents before the interview

Answer: (a) - Feedback from the wrong people misleads.

Q4. Ethnography differs from ordinary observation research mainly because it:
(a) Uses structured questionnaires in place of observation
(b) Takes place in a laboratory under controlled conditions
(c) Is carried out over a longer period, immersed in the community
(d) Uses eye-tracking equipment to record what people notice

Answer: (c) - The researcher lives among users to see how the product fits their lives.

Q5. Which method is best for revealing how people influence one another's opinions?
(a) A mail survey
(b) A focus group
(c) Sales data
(d) An eye-tracking study

Answer: (b) - The New Coke lesson on the slide.

Q6. Gillette's Vector razor failed in India mainly because it was developed with:
(a) Rural Indian men who shaved with a single cup of water
(b) Barbers in Indian cities who shaved many customers a day
(c) Indian students at MIT who shaved with running water
(d) Retailers who wanted a cheaper razor to sell in volume

Answer: (c) - Most Indian men shaved with a cup of water; the blades clogged.

Q7. The Gillette Guard's success after research in Indian homes shows that:
(a) Research must reflect the real conditions of use
(b) Price alone decides which razor succeeds in a poor market
(c) Focus groups held abroad are enough if respondents are Indian
(d) Twin blades are always preferred once buyers have tried them

Answer: (a) - Over 50% volume share within six months of its 2010 launch.

Q8. New Coke beat old Coke in about 200,000 blind taste tests but failed because the tests missed:
(a) How sensitive buyers were to the price of the new drink
(b) Whether bottlers could distribute the new formula in time
(c) How the new can and logo would look on the shelf
(d) The meaning of losing the original and social influence

Answer: (d) - People reacted to what was taken away, and to each other.

Q9. The slide's lesson from New Coke is that new product development should routinely consider:
(a) Social influence effects, which focus groups can reveal
(b) Celebrity endorsement, which taste tests cannot measure
(c) Lower launch prices, which protect a new product
(d) Larger pack sizes, which encourage trial at home

Answer: (a) - Individual tests cannot show social interaction effects.

Q10. ChotuKool cools its contents to about:
(a) Below zero, to make ice
(b) 5-15 degrees
(c) 20-25 degrees
(d) The same as a regular fridge

Answer: (b) - It is a cooler, not a freezer.

Q11. Why does ChotuKool open from the top?
(a) A top lid looks more modern than a door on the front
(b) A top lid lets the cooler be strapped onto a bicycle
(c) A top lid is cheaper to make than a door with a seal
(d) Cold air sinks, so it stays inside when the lid opens

Answer: (d) - Physics applied to design.

Q12. The professor's main explanation for ChotuKool's limited success was:
(a) Poor distribution in the villages where it was meant to sell
(b) A price that was still too high, and nothing else
(c) Researcher bias - assuming rural buyers want something different from urban buyers
(d) Too little advertising, despite the awards it had won

Answer: (c) - Every stated need was met, but the real aspiration was a proper fridge.

Q13. Sleepy Owl launched a hot brew because its surveys showed that:
(a) People did not want something cold first thing in the morning, even in summer
(b) Cold brew was too expensive for most of its customers
(c) Retailers demanded a product they could sell in winter
(d) Competitors had launched hot brews and were gaining share

Answer: (a) - A format decision driven by customer feedback.

Q14. Sleepy Owl's recyclable packs came after research showed that:
(a) Its packs cost too much to make and squeezed margins
(b) Retailers disliked the shape and wanted smaller packs
(c) A new law required all food packaging to be recyclable
(d) Over 60% of customers felt guilty about its plastic

Answer: (d) - It took a year of research to create them.

Q15. After Tropicana's pack redesign, its sales fell about 20% in under two months while category sales:
(a) Also fell 20%
(b) Did not change
(c) Rose 20%
(d) Fell 50%

Answer: (b) - The loss was Tropicana's alone.

Q16. The main reason for Tropicana's fall, as discussed in class, was that:
(a) The juice formula was changed and regular buyers disliked the taste
(b) The price was raised at the same time as the pack was changed
(c) Shoppers found the brand by the orange-with-straw image, which was removed
(d) The new pack was withdrawn from many stores for a labelling error

Answer: (c) - Buying behaviour depended on a visual cue.

Q17. A participant said shoppers had an emotional bond with the old orange. The professor called it instead:
(a) Buying behaviour - a learned habit of search
(b) Brand equity built over many years
(c) Representativeness of the category
(d) Mental accounting for a daily habit

Answer: (a) - Right process, wrong label.

Q18. Which research tools does the slide recommend to avoid a Tropicana-type failure?
(a) Price surveys among shoppers leaving the store
(b) Shelf flash recall tests, eye tracking and A/B testing
(c) Focus groups alone, held before the launch
(d) Interviews with the company's own sales force

Answer: (b) - Test how people actually find and choose products.

Q19. Why can FMCG companies usually afford longer research than technology companies?
(a) They have bigger research budgets
(b) They face fewer competitors
(c) Regulators require longer testing
(d) Their products have longer life cycles

Answer: (d) - Tech features are copied within months.

Q20. Which factor points towards pricing a new product HIGH?
(a) The category is habitual and early share matters
(b) Abundant spare capacity
(c) Competitors can copy quickly, so R&D; must be recovered fast
(d) The goal is maximum volume

Answer: (c) - Also a deliberate response to capacity constraints.

Q21. A candy weighs more than rivals. The professor's view on using weight to justify a higher price was that:
(a) A heavier candy always justifies a higher price, whatever buyers notice
(b) Customers rarely perceive small weight differences unless the company communicates them
(c) Weight has no bearing on price in a category bought for pleasure
(d) Charging more for extra weight is not permitted for packaged sweets

Answer: (b) - An unperceived benefit cannot carry a price.

Q22. Why might a new low-priced candy avoid TV advertising at launch?
(a) Low absolute margins make ads inefficient, and availability must be secured first
(b) Television advertising of sweets to children is not permitted
(c) Candies, being impulse purchases, never benefit from advertising
(d) Competitors would have complained to the advertising regulator

Answer: (a) - A customer who cannot find an advertised product rarely asks a third time.

Q23. Involvement in a purchase rises mainly with:
(a) The number of brands available in the category
(b) The height of the shelf on which it is displayed
(c) Perceived risk - economic, psychological or performance
(d) The volume of advertising in the category

Answer: (c) - Low risk means low involvement.

Q24. Clothes that are inexpensive but carry worry about what others will think involve mainly:
(a) Economic risk
(b) Performance risk
(c) No risk
(d) Psychological risk

Answer: (d) - The concern is social judgement.

Q25. "Does your toothpaste contain salt?" is an attempt to:
(a) Lower the price of a product buyers see as a commodity
(b) Raise consumer involvement in a low-involvement category
(c) Reposition toothpaste as a luxury for wealthy buyers
(d) Enter a new market of people who do not brush at all

Answer: (b) - Involved buyers become loyal and pay more.

Q26. Low-involvement categories benefit greatly from advertising because:
(a) Buyers choose what they recall at the point of purchase
(b) Buyers compare features carefully before choosing
(c) Margins are high enough to pay for heavy advertising
(d) Products differ greatly and buyers need information

Answer: (a) - Out of sight, out of mind.

Q27. According to the professor, a lasting advantage for a copyable candy comes mainly from:
(a) Patents and trademarks that stop others copying the product
(b) A steady stream of new flavours, which is enough on its own
(c) Heavy television advertising that keeps the brand in mind
(d) Service to the retail channel - frequent visits and no stock-outs

Answer: (d) - Shelf space is the retailer's scarcest resource.

Q28. A shopkeeper starts stocking a copycat candy mainly when:
(a) The copy is cheaper by a rupee and customers ask for it
(b) The copy comes in a better-looking pack and jar
(c) The original is out of stock when customers ask for it
(d) A festival raises the demand for sweets of all kinds

Answer: (c) - A stock-out gives him a reason to give space to a rival.

Q29. Selling candy in bulk packs and through online and modern-trade channels is which Ansoff strategy?
(a) Market penetration
(b) Product development
(c) Market development
(d) Diversification

Answer: (a) - Existing product, existing market, more accessible.

Q30. A candy brand launching a mango drink is classed by the professor as:

(a) Market penetration - existing product, existing market
(b) Diversification - new product, new market
(c) Product development - new product, existing market
(d) Market development - existing product, new market

Answer: (b) - New consumers, price point and competitors; high risk, high reward.

SESSION 3 OF 5

Market Segmentation and Targeting

Why and How to Divide a Market, the Bases of Segmentation, Cluster Analysis, Choosing a Target, and Growing Without Losing Your Core Customers

Sunday, 25 October 2026 | Prof. Ritu Mehta | Live online session

WHAT THIS SESSION COVERS

The first two letters of STP. Segmentation: what it is, why it improves both effectiveness and efficiency, the bases on which a market can be divided, why a good approach starts with what customers value and then profiles who they are, and how segments are actually found - by judgement or by cluster analysis. Targeting: how to choose which segments to serve, using attractiveness and compatibility. Then a run of real examples - Pepsi, Fastrack, Madura Garments, Dove and Lifebuoy, Hero Pleasure and the Bic for Her backlash - two warnings about chasing new segments at the cost of loyal ones (Gap and JCPenney), and the Ansoff matrix as a way to map growth options. Positioning, the P of STP, is the next session.

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3.01 The Framework, Revisited

The class opened with a recap of the previous session, which had discussed the ways a company can grow - penetrating its existing market, developing new products, developing new markets, or diversifying. That framework, the **Ansoff matrix**, is taught in Section 2.13; it came back at the end of this class and is applied in Section 3.15.

Then the professor sent the class back to the on-campus session. If you had to build a marketing plan, what would it involve? One participant offered the 4Ps; another the 5Cs. Both right, but incomplete - what was missing was **STP**, the subject of the day.

THE FULL FRAMEWORK, IN ONE LINE

Use the **5Cs** (customers, company, competitors, collaborators, and context through PESTLE) to analyse; decide **STP** - segment the market, choose the target, decide the positioning; then design the **4Ps**. There is no fixed order within the 4Ps: they go hand in hand, because a decision on one affects the others. In marketing, collaborators usually means your channel partners.

The professor added that the 5Cs is generic enough to support every one of these decisions - even choosing how to segment. Looking at how competitors segment, and at your own strengths and weaknesses, is part of the job.

MANAGER'S TAKEAWAY

Everything downstream depends on getting STP right, which is why this session spent so long on it. A product company that skips segmentation ends up with a mix that tries to please everyone. A service firm that skips it ends up with one proposal template for a 50-bed clinic and a 500-bed hospital.

3.02 What Segmentation Is

Participants described segmentation as grouping customers on common factors - demographics, purchase patterns, behaviour, preferences, even "personas". The slide gave the formal version.

SEGMENTATION (THE SLIDE)

Dividing the market into groups of actual and/or potential customers so that each group is relatively **homogeneous** - similar inside - with respect to its characteristics, needs, evaluations or behaviours. The groups are called **market segments**.

Two words in the definition matter. **Potential**: you segment the whole possible market, not just today's buyers. **Homogeneous**: people inside a segment should be alike in the ways that matter for buying, and different from people in other segments. If two segments behave the same, they are really one.

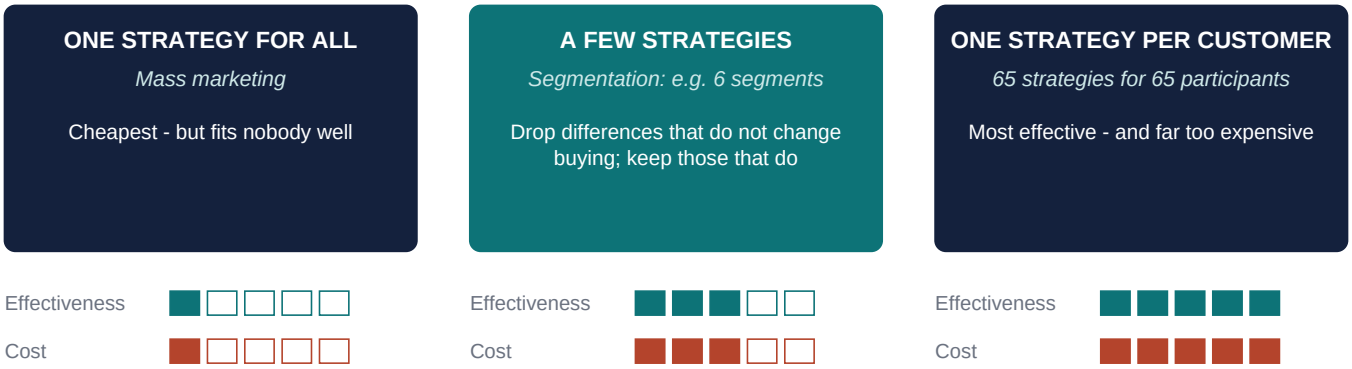
MANAGER'S TAKEAWAY

A segment is defined by what drives buying, not by what is easy to count. A product company that segments shampoo buyers by pin code may learn little; one that segments by hair concern learns a lot. A service firm should ask the same question of its client list: do these clients buy differently, or do they merely look different?

3.03 Why Segment: Effectiveness and Efficiency

The professor used the class itself as the market. There were about 65 participants online. A marketer who designed 65 different strategies - one for each person - would be **most effective**: everyone would get exactly what they want. It would also be ruinously **expensive**. At the other extreme, one strategy for all 65 is cheap, but fits nobody well.

Segmentation sits between the two. It looks for the differences that actually change preferences and purchase behaviour, keeps those, and throws away the **redundant differences** that do not. Instead of 65 strategies you might design 6. You give up a little effectiveness, but the cost-benefit balance is far better.



Segmentation looks for the best balance of effectiveness and efficiency

Figure 3.1: Segmentation trades a little effectiveness for a large gain in efficiency.

Her example: an air conditioner maker could segment by gender and offer pink and orange units for women, blue and purple for men. Is gender meaningful for air conditioners? Probably not. Room size and how often the unit is used are. So you drop gender and keep two strategies - bigger rooms versus smaller ones, heavy users versus light users.

Segmentation optimises...	How (from the slide)
Marketing effectiveness	A more targeted marketing mix, by identifying key differences among customers; increased customer satisfaction; higher customer lifetime value (CLV)
Cost efficiency	Doing away with irrelevant differences, to create a single offering for all customers within each segment

CONCEPT TRAP: SEGMENTATION IS NOT ABOUT MAKING MORE GROUPS

More segments are not better segments. Every extra segment costs a separate mix. A difference earns a segment only if it changes what customers want or how they buy. Gender splits for air conditioners fail that test; room size passes it.

MANAGER'S TAKEAWAY

Test every segmentation variable with one question: would customers on either side of this line buy differently? A product company that cannot answer yes should drop the variable. A service firm should do the same with its client tiers - if gold and silver clients receive the same service, the tiers are only labels.

3.04 The Bases of Segmentation

Participants listed variables - geography, age, gender, income, behaviour, psychographics, values - and the professor grouped them. Broadly there are five bases, which the slide arranges as one value-based base and four profile-based ones.

Base	What it asks	Variables (from the slide)
Value-based (need- or benefit-based)	What value or benefit does the customer seek from this category?	Whitening, sensitivity relief, cavity protection, fresh breath (for toothpaste)
Geographic	Where does the customer live?	Region, country, urban or rural
Demographic (socio-demographic)	Who is the customer, in visible terms?	Age, gender, income, education - and ethnicity and the like: a huge bucket
Psychographic	What is the customer like as a person?	Lifestyle and personality: style-conscious, risk-taker, fun-loving; attitudes, opinions, interests
Behavioural	How does the customer behave in this category?	User status (user or non-user), usage rate, channel usage, loyalty status

Psychographics versus behaviour

The two are closely related but not the same. **Psychographics** describe a person's broad lifestyle - a party-goer, someone with a very simple life, an adventure seeker. **Behaviour** is narrower: how the person acts *within this product category*. For toothpaste: does she brush once or twice a day? Is she loyal to a brand or does she switch?

Behaviour can change how attractive a segment looks. The sensitive-teeth segment may be small in number, but if its members brush twice a day without fail, its consumption can be high.

MANAGER'S TAKEAWAY

Know which kind of variable you are using. A product company segmenting sports drinks by lifestyle (adventure seekers) will design different ads from one segmenting by usage (daily gym-goers). A service firm segmenting clients by behaviour - frequency of incidents, renewal history - is using data it already owns.

3.05 Where to Start: Value First, Then Profile

Faced with five bases, where should a marketer begin? Not with all of them at once - that creates a mess of overlapping variables. One participant suggested starting with value, because marketing is about creating customer value. The professor agreed: **a good starting point is value-based segmentation** - what different customers want from the category - and then bring in the other variables.

Working it through: toothpaste

Look at a toothpaste shelf and you can see value-based segmentation in action. Colgate sells a whitening variant for people who want whiter teeth, a sensitive variant for people with sensitive teeth, an anti-cavity variant that parents of young children choose, and gels for fresh breath. Each is a need, and each need is a segment. A participant added one more: some people simply want everything in one tube.

What next? A participant answered well: find the **size** of each segment and the level of **competition** in it. A large, crowded segment such as fresh breath may be a bad place for a new player to get lost; a smaller, less crowded one such as whitening may be a better place to start (Figure 3.6). Then study what competitors offer there and whether it truly meets the need - that gap is where you differentiate.

And then the step most people skip. Knowing the need is not enough to design the 4Ps. Where will you sell? Whom will you show in the ad? Which media will you use? At what price? You cannot answer any of this until you know **who** is in the segment. So after the value-based cut, you **profile** the segment with the other variables: age, income, gender, where they live, lifestyle, usage. The result is a **persona**.

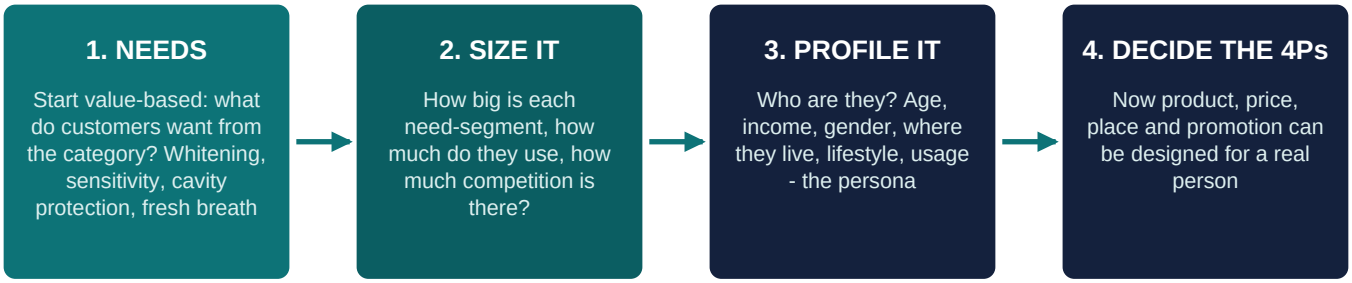


Figure 3.2: Start with needs, size them, profile them - and only then design the 4Ps.

A participant from fashion retail described exactly this: when her company launches a brand, it defines the customer to the level of a persona - a woman of 20 to 25, how she shops, how she lives, how much she spends, which brands she compares. The professor's point: if the fresh-breath segment turns out to be young people, digital media may suit; if it is older customers, traditional mass media. If both men and women want it, the ad shows both. Income sets the price points. The profile turns the segment into decisions.

CONCEPT TRAP: PROMOTION IS NOT "PLACEMENT"

When asked what decisions promotion involves, a participant said "placement of the product". The professor corrected it: product placement is a very small part. Promotion is mainly advertising and sales promotion - how much to spend, on digital versus mass media, in which language, in which magazines, and whom to show in the ad. All of these depend on the profile.

Does the product come before STP?

A participant asked: shouldn't all this have been thought through when the product was developed? Yes - which is why the **product follows STP**. Many companies make the mistake of designing a technically advanced product first and only then asking who will buy it; that is when products fail. The professor recalled the Ford car from the campus session (Section 0.11). As in Session 0, the broad category - toothpaste rather than toothbrushes - is a top-management decision; the marketing manager's product decisions are the specific features, colours and flavours, made after the target is clear.

MANAGER'S TAKEAWAY

Write the persona before the brief. A product team should be able to describe the target customer in a paragraph - age, income, habits, where she shops - before anyone briefs an agency. A service team selling into plants should be able to name who signs, who uses, and what each of them worries about, before writing the proposal.

3.06 What Marketers Actually Use, and Why

Value-based segmentation is the recommended starting point, but in practice marketers lean heavily on **demographics** and **behaviour**. The professor explained why.

Base	Why it is popular - or not	Example
Demographics	Easily visible. A shopkeeper can see who buys sensitive toothpaste; a store can see the age group walking in.	Retail staff observing who shops in the store
Behaviour	Firms now sit on data. Managers have plenty of it.	Ride-hailing apps segment by when you last booked, how often, how often you cancel
Value-based	Strongly linked to what really drives buying - but needs research, often starting with qualitative work on motivations and unmet needs.	Used less, because it costs effort
Category-specific choices	Some categories have a natural variable.	Toys by age (motor skills for toddlers, then other skills); life insurance plans by age

Even natural variables can be questioned. The professor noted that the US retailer Target decided to stop using gender in its toy aisles and moved to gender-neutral aisles.

THE RULE OF THUMB

Data availability and the product category both influence which variables are used. But as a generic approach: begin with value-based segmentation, then bring in profile variables so that the segment can be described well enough to design the 4Ps.

MANAGER'S TAKEAWAY

Use the data you have, but do not let it choose your segments for you. A product company with rich purchase data will be tempted to segment only by behaviour and miss why people buy. A service company with a ticketing system knows how often each client raises incidents, but only conversations reveal what each client values.

3.07 Segmenting Business Markets

For those in B2B marketing, the professor's message was that things are not very different. The same bases apply, with business versions of each.

Base	Variables for business markets (from the slide)	Consumer-market parallel
Geographic	Country, region, city, urban or rural	Geographic
"Firmographics"	Industry, firm size, global or regional, ownership	Demographics
Buying approach	Centralised or decentralised purchase, purchase policies, involvement of decision makers	Close to psychographics
Behavioural	Volume, purchase frequency, attitude to risk, loyalty, urgency	Behavioural
Benefits sought	Price, product quality, service, relationship	Value-based

A B2B example from the slides

In 2000 Hillrom, a maker of healthcare equipment, segmented hospitals by size - the number of staffed beds - on the logic that bigger hospitals spend more. In 2001 a new CEO commissioned a study of how customers actually bought. It found eight segments, grouped for ease of implementation into two: **key** and **prime** customers. Facility size no longer drove anything - 50-bed and 250-bed facilities sat in the same segment.

	Key customers	Prime customers
Primary decision maker	Nurses	Administrators
Purchase drivers	Patient satisfaction, physician requirements, return on investment	Necessity, low maintenance costs, low risk and liability
Deciding factors on brand	Performance, patient outcomes and safety, caregiver safety	Reliability, ease of use, price
Product preferences	High-end to moderate; systems; shorter replacement cycle (about 40% sooner)	Moderate to low-end; stand-alone; longer replacement cycle
Required response	Shorter service response; longer shipment lead time acceptable	Longer service response acceptable; shorter shipment lead time

The company had been selling to both groups in the same way. Its cost of sales to prime customers was four to five times higher than to key customers, because the sales force kept pushing a level of service and innovation that prime customers neither valued nor could afford. After restructuring the sales force around the two segments, customer satisfaction improved significantly within two years, revenue per employee rose 11% and operating income per employee rose 51%.

MANAGER'S TAKEAWAY

The obvious variable is often the wrong one. A product firm selling to hospitals by bed count, or to factories by plant size, may be grouping customers who buy for completely different reasons. A security service provider might find that a small plant run by a safety-obsessed engineer behaves like a large one - and that segmenting by what clients value, then aligning the sales effort, cuts the cost of selling as Hillrom's did.

3.08 How to Segment: Judgement or Cluster Analysis

The slide named two methodological approaches: **qualitative or judgemental**, and **quantitative** - chiefly **cluster analysis**. The professor stressed that every marketing decision can be supported by research and data analysis, and gave a brief tour of cluster analysis. It will not be examined in detail, but managers should know it exists and what it does.

The judgemental route

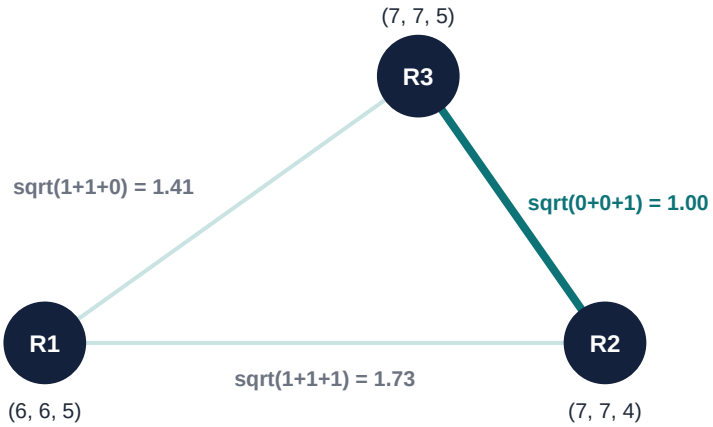
A participant from a start-up asked how to segment quickly without a survey. The answer: go to people with experience - the sales team and front-line staff who talk to customers, an experienced manager, dealers and channel partners, consultants - through interviews or focus group discussions. Demographic segmentation is often done this way, because the variables are visible.

The quantitative route: cluster analysis, step by step

Step 1 - choose the variables. For value-based segmentation, list the values customers seek. The class did this for a hypermarket: availability of brands and variety of products, price points, layout (ease of movement), merchandising, clear signage, quick checkout, play areas for children, sales assistance. Each must be clearly defined, because respondents will rate it. Someone suggested proximity - important, but left out, because a marketing manager cannot change the store's location. Stores differ on these by design: a low-price chain may not stock frozen or organic food at all, while a service-led chain offers more variety and ambience and charges a little more for it - and customers who value the service pay.

Step 2 - collect ratings. Ask customers how important each variable is to them, usually on a 1-to-5 or 1-to-7 scale. Robust results typically need at least 100 respondents, and around 200 when there are many variables. Collect demographics too, so the clusters can be profiled afterwards.

Step 3 - measure similarity. The algorithm calculates the distance between every pair of respondents using **Euclidean distance** - the straight-line distance from school geometry. For two respondents, take the difference on each variable, square it, add the squares, and take the square root. A small distance means similar priorities.



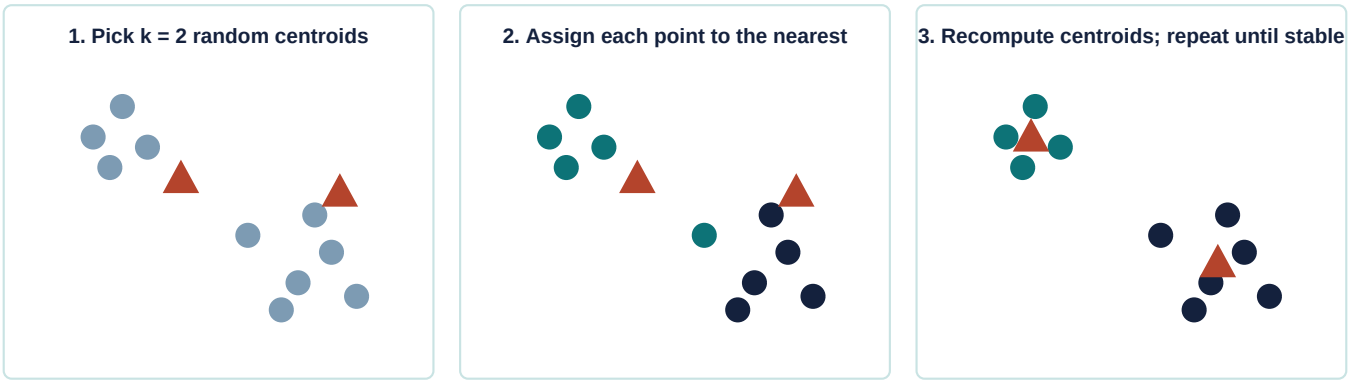
Ratings (1 to 7) for availability of brands, price points and layout.

The closest pair, R2 and R3, joins first into one cluster. Hierarchical clustering repeats this, merging the most similar respondents or clusters at each step.

Figure 3.3: Three respondents' ratings and the distances between them. R2 and R3 are the most alike.

In the class's three-respondent example, R2 and R3 were closest (a distance of 1), so they would combine into one cluster first. **Hierarchical clustering** starts with every respondent as its own cluster and keeps merging the closest ones, step by step.

K-means clustering works the other way: the marketer chooses **k**, the number of clusters wanted. The algorithm places k random starting points (centroids), assigns each respondent to the nearest one, recalculates each centroid as the average of its members, reassigns anyone now closer to the other centroid, and repeats until nothing moves.



Points = customers rated on two values (say, price importance and quality importance); triangles = centroids

Figure 3.4: K-means with k = 2 - random centroids, assignment, recalculation, until stable.

Step 4 - label and size the clusters. The output gives each cluster's average rating on every variable and its size (say 100, 60 and 40 out of 200). The marketer names each cluster by what stands out: a product-and-brand-availability cluster, a time-sensitive cluster that wants to get out fast (quick billing, easy layout), a price cluster, perhaps a demanding cluster that wants everything. Then the demographic data profiles each one - are the time-sensitive shoppers working parents? high-income?

PRACTICAL POINTS FROM CLASS

How many clusters? Usually 3 or 4. Beyond 5, segments get small and strategies too many to be efficient. Good-better-best (3) is a common structure.

No overlaps. A participant asked if a customer can be in two clusters. No - if that happens, the exercise has not been done well.

Software. Not Excel. SPSS is user-friendly; R is open source; Stata and others also work. Tutorials are easy to find.

MANAGER'S TAKEAWAY

You do not have to run cluster analysis yourself, but you should know when to ask for it. A product company with survey data on what shoppers value can find natural segments instead of guessing. A service company with a few hundred clients can cluster them on what they rate as important - response time, reporting, price, expertise - and design three service tiers around the clusters that emerge.

3.09 Reading a Preference-Based Segmentation

The slide showed the output of a value-based cluster analysis for a B2B firm. Customers rated seven variables: technical documentation, training, product variety, supplier quality, customised products, delivery time and price. Three clusters emerged.

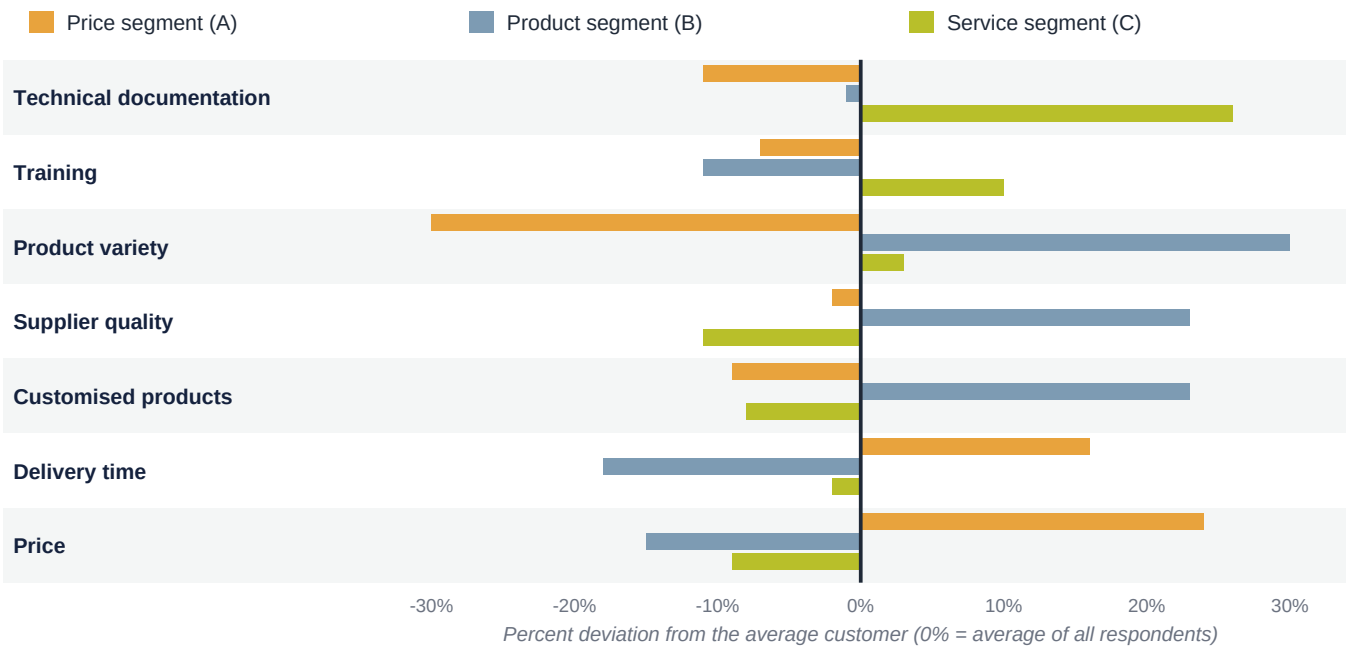


Figure 3.5: Each bar shows how far a segment's average rating sits above or below the average customer (approximate values read from the class slide).

How to read it. The 0% line is the average of all respondents on each variable, rescaled to zero. A bar to the right means that segment rates the variable as more important than the average customer does; a bar to the left, less important. (Sometimes the scale is in standard deviations instead of percentages.) All customers carry equal weight - this is a survey of importance, not of spend.

Segment	Cares more than average about	Cares less than average about	What to offer
Price segment (A)	Price, delivery time	Product variety, technical documentation	A lean, fast, low-cost offer
Product segment (B)	Product variety, supplier quality, customised products	Delivery time, price	Range, quality and customisation
Service segment (C)	Technical documentation, training	Supplier quality, price	Support, training and documentation

CONCEPT TRAP: A SHORT BAR NEAR ZERO IS NOT A FINDING

The product segment's bar for technical documentation is slightly negative, but so small it is probably not significant. Read the big deviations, not the small ones.

MANAGER'S TAKEAWAY

One chart like this can redesign a sales approach. A product supplier learns that one-third of its customers would trade variety for a lower price and faster delivery. A service provider learns which clients want training and documentation - and stops giving it free to clients who do not value it.

3.10 Targeting: Attractiveness and Compatibility

Once the market is segmented, the next decision is which segment or segments to serve.

TARGETING (THE SLIDE)

Targeting: selecting one or more segments to enter.

Segment attractiveness: the segment's ability to deliver value to the company and its collaborators - size, growth, usage, time to close a sale, CLV. In short: how valuable is the segment to us?

Segment compatibility: the company's ability to create superior value for that segment relative to competitors. In short: can we serve it better than rivals can?

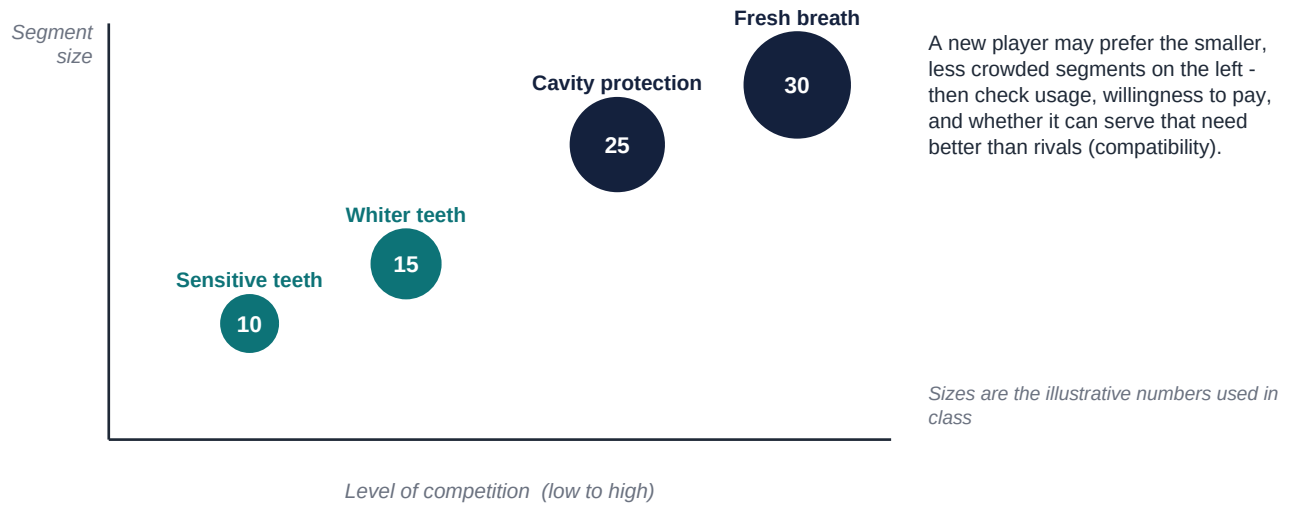


Figure 3.6: The class's toothpaste example - segment size against competition.

Earlier the class had judged segments by size and competition alone. The professor widened the list: **usage** (the small sensitive-teeth segment may brush twice a day), **income and willingness to pay** (a high-income segment may pay more), growth, CLV. All of these measure attractiveness. Compatibility is the other half: your strengths and weaknesses relative to competitors, and your company and brand image. An attractive segment you cannot serve better than rivals is not your segment.

A side question: SWOT

A participant asked about frameworks for assessing competitors' weaknesses. The professor pointed to **SWOT** - strengths, weaknesses, opportunities, threats - and the mistake students most often make with it.

CONCEPT TRAP: STRENGTHS AND WEAKNESSES ARE INTERNAL; OPPORTUNITIES AND THREATS ARE EXTERNAL

If a candy was launched in only one flavour, is that a weakness or a threat? A weakness: it is internal to the company. Threats and opportunities come from the external environment - a new competitor, a regulation, a trend. Do not file an internal gap as a threat, or an external trend as a strength.

MANAGER'S TAKEAWAY

Score every candidate segment twice: once for what it is worth, once for your right to win it. A product company may find the largest segment attractive but incompatible, because the leader there is far stronger. A service firm may find a niche - critical infrastructure clients, say - less attractive in size but highly compatible with its expertise. The best target scores well on both.

3.11 Segmentation in Action: Age, Occupation, Lifestyle

The professor then showed how real brands chose their bases.

Brand	Base used	How it showed up
Pepsi (1980s)	Age	Positioned itself as the drink of the young - "the choice of a new generation", with Michael Jackson - and cast Coke as the drink of older generations. Young or young at heart: drink Pepsi.
Fastrack (Titan)	Age	A separate youth brand from Titan, so that the two do not chase the same buyers. Brands must keep overlap between their own target groups to a minimum, or they cannibalise each other.
Mountain Dew	Psychographic	Targets adventure seekers - a lifestyle, not an age. Add age and you get young adventure seekers.
Dove	Value-based	Skin care: soft, moisturised skin.
Lifebuoy and Dettol	Value-based	Hygiene: clean hands after play, parents and children in the ads; both claim to kill 99.9% of germs. During COVID, Dettol rose from outside the top five soap brands to a leading one.
Gap Inc.	Several	Old Navy for budget-conscious families; Athleta for women's workout gear; Banana Republic for office wear for young people; Gap for casual, affordable wear for young people.

Madura Garments: one company, four brands, no overlap

Madura Garments, now part of the Aditya Birla group, owns Louis Philippe, Van Heusen, Allen Solly and Peter England. Four men's formal-wear brands could easily eat into one another. Participants described them by price and formality - premium versus mass. The professor asked how the brands themselves communicate the difference. No brand says "we are for the masses". The answer is in the advertising: Madura segments by **occupation and career stage**.

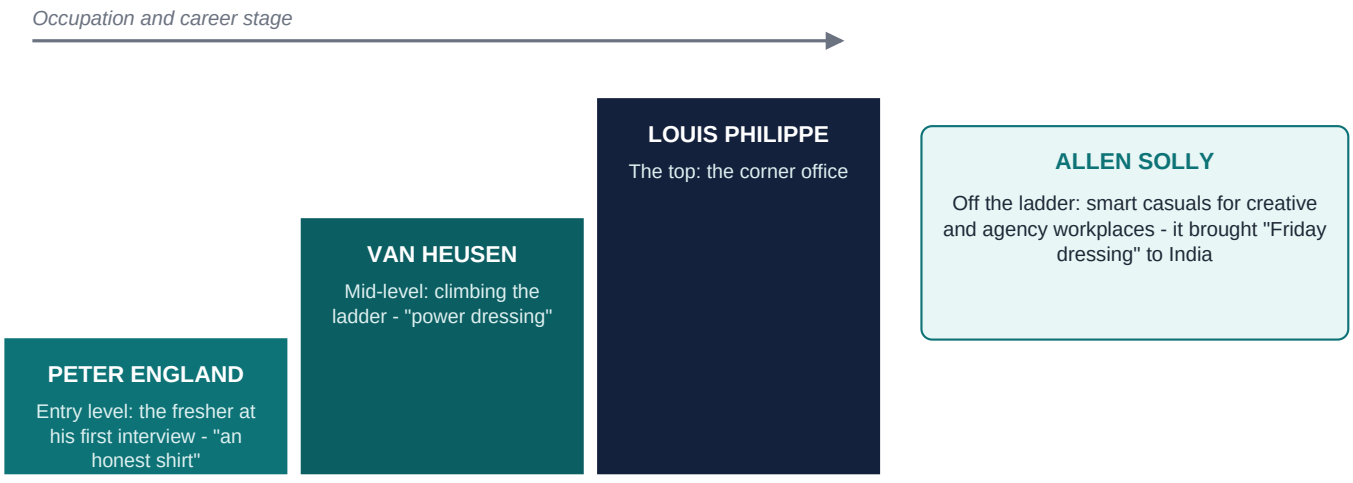


Figure 3.7: Madura Garments' brands map onto the career ladder.

Peter England's ads were set at job interviews - a young man starting his corporate career, giving an honest answer to "where do you see yourself in five years?". Van Heusen showed people at mid-level, climbing - "power dressing". Louis Philippe showed people who already hold the top jobs and corner offices. Allen Solly targeted smart-casual workplaces such as advertising and research agencies, and introduced the idea of Friday dressing. Career stage maps onto income, which is why price points follow naturally.

MANAGER'S TAKEAWAY

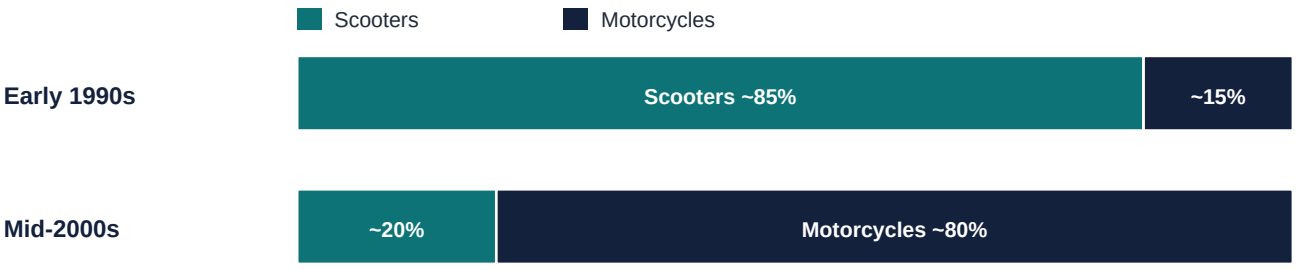
If you run more than one brand, write down each one's target and check for overlap. A product company with a premium and a value brand should make sure the value brand is not quietly taking premium customers. A services group with an advisory arm and a managed-services arm should be clear which client and which stage of the relationship each one serves.

3.12 Gender-Based Segmentation: Hero Pleasure and Bic for Her

Two gender-based launches, one success and one failure, made the class think hard about when a basis works.

Hero Pleasure

The professor asked what had happened to India's two-wheeler market over three decades. In the early 1990s scooters held roughly 85% of the market and motorcycles 15%. From the mid-1990s motorcycles grew steeply and scooters fell, until by the mid-2000s the split had roughly reversed. Bajaj, once synonymous with scooters, announced that the future lay in motorcycles and stopped making scooters around 2009.



Approximate shares of India's two-wheeler market as described in class

Figure 3.8: The scooter-to-motorcycle shift in India's two-wheeler market.

Within the shrunken scooter segment one brand dominated: **Honda's Activa**, positioned as a utilitarian, unisex scooter - its ads showed men carrying luggage too. Hero was number one in two-wheelers overall, on the strength of its motorcycles. To take on Honda in scooters, Hero launched **Pleasure** in 2006, aimed at women, with Priyanka Chopra and the line *"Why should boys have all the fun?"*. Hero's scooter share rose from 9.8% to 16.9%. When that growth flattened, Hero launched **Maestro** aimed at men, with Ranbir Kapoor, and its share rose again to about 19%.

Bic for Her

Bic, the French company that is the world's number one pen brand, is known for value-for-money products. It launched **Bic for Her**: pens in pastel pink, purple and green, with the same blue or black ink, at almost twice the price of a normal pen. The class was split - some would buy them for daughters who like fancy stationery, others thought it pointless. The market's response was a social-media backlash, and the comedian Ellen DeGeneres mocked the pens on her show: pens "designed to fit a woman's hand", in lady colours, costing twice as much.

Why did a gender-based launch work for Hero and fail for Bic? The class's answers added up to five reasons.

	Hero Pleasure	Bic for Her
Did it meet a real need?	Yes - a lightweight scooter for women, with colours that let them make a statement	No - the ink and function were the same; only the casing changed
What kind of product?	Partly a lifestyle product: riding one was a statement	Utilitarian: people buy pens to write
How did it frame women?	As gaining freedom - "why should boys have all the fun?"	As needing a special pen - stereotyping, with a label that said so
Was the price justified?	Priced as a scooter	About double the price for a coloured casing
Context	India, where few women rode two-wheelers then	The US, where such stereotyping is quickly called out

Participants suggested what Bic could have done: drop the "for her" label and simply put the pens on the shelf, so girls could choose them freely; or position them as fun gifts for children of any gender. The professor's own view was that the labelling was the biggest problem - quietly placed, the pens might have found a small segment.

She also mentioned **Gillette**, which sold razors for women at a premium of around 30% over the men's version for an essentially similar product - the so-called **pink tax** seen in many categories. It worked for years, until Gillette ran an advertisement criticising toxic masculinity during the #MeToo period and activists pointed to its own pink pricing. Gillette has since narrowed the gap.

CONCEPT TRAP: WHAT WORKS IN ONE CATEGORY MAY NOT WORK IN YOURS

Gender worked as a basis for scooters and failed for pens. A segmentation variable is not good or bad in itself - it is good only if the segment has a different need that the product meets better, at a price that need justifies.

MANAGER'S TAKEAWAY

Before launching a version "for" any group, ask what it does for them that the standard version does not. A product company that changes only colour and doubles the price is inviting a backlash. A service firm that creates a "small business edition" with fewer features and no lower price will meet the same scepticism.

3.13 The Product Life Cycle, Revisited

The Hero story brought back the **product life cycle** from Session 0 (Section 0.15): introduction (slow sales growth), growth (steep), maturity (sales stabilise), decline. The professor read Hero's numbers through it: Pleasure's share rose, then plateaued - and at that point Hero launched Maestro, which started its own cycle. The general lesson: when sales start to plateau, launch the next product so that it takes off as the first one matures.

The shape is not fixed. An Apple launch has almost no slow introductory phase - people queue to buy on day one - so its curve shoots straight up.

Should you launch a new product, or fix the old one?

A participant challenged the rule: if sales are falling because a competitor has a better product or price, why rush into new product development? Why not improve the existing product? The professor accepted the criticism - it is a known weakness of the life cycle concept - and gave two clarifications.

WHERE THE LIFE CYCLE APPLIES, AND WHERE IT DOES NOT

It applies best at the sub-category level. Black-and-white televisions went through a full life cycle and vanished; pagers did too. That decline came from technology, not from a single brand's mistakes.

For a single brand, diagnose before acting. If your sales plateau while the category grows, the problem is your brand - competitors, product, price - and the answer is to fix your strategy, not to assume the product has reached its natural end.

MANAGER'S TAKEAWAY

Read the category curve and your own curve separately. A product company whose sales flatten while the category keeps growing has a competitiveness problem; one whose whole sub-category is flattening needs its next product. A service firm whose renewals fall while the market grows should look at its service before it invents a new one.

3.14 Growing Without Losing Your Base

Every brand is under pressure to grow, and growth often means reaching new segments. The professor told two stories of what happens when that reach costs a brand its existing customers.

Company	What was tried	What happened
Gap	Sonia Syngal, an Indian-origin executive who had led Old Navy, became CEO of Gap Inc. in 2020. She set out to make Gap an all-inclusive brand, stocking extra-small and plus sizes so that women of all sizes could shop there.	Store space is limited. The extra sizes came at the cost of variety in the regular sizes Gap's usual customers wanted; a meme captured the empty racks. Among other reasons, the strategy cost her the job within about two years.
JCPenney	Ron Johnson, who had succeeded at Target and built Apple's retail stores, was brought in around 2011. He gave the department store a younger look - new labels for younger shoppers, a new layout in the style of Apple's stores - on a plan meant to run three to four years.	JCPenney's typical customer was a woman buying for her family. She felt lost in the new layout and merchandise. Johnson was removed after about a year and a half.

THE LESSON

Reaching new segments should not come at the cost of your existing, loyal customers. The moment it does, it becomes a disaster - serious enough to remove a CEO, even one with a multi-year plan.

The professor added a quieter version of the same dilemma: **Old Spice**. Asked how they saw the brand, participants said it felt old - "my father used it" - though one insisted old is gold. Young people rarely want their parents' brands. A brand whose loyal base is ageing must attract younger customers without alienating the ones it has.

MANAGER'S TAKEAWAY

Growth that pushes out the core customer is not growth. A product company launching a youth range should protect shelf space and attention for its core range. A service firm chasing a new sector should not pull its best people off the clients who pay the bills today.

3.15 Applying the Ansoff Matrix

The session's case was an Indian ethnic-wear brand for women: a first mover now facing many rivals, with a loyal customer base growing older and younger women drifting to Western and fusion brands. The case is not retold here. What it taught was how to apply the framework from the previous session (Section 2.13), the **Ansoff matrix**, and where the judgement calls lie.

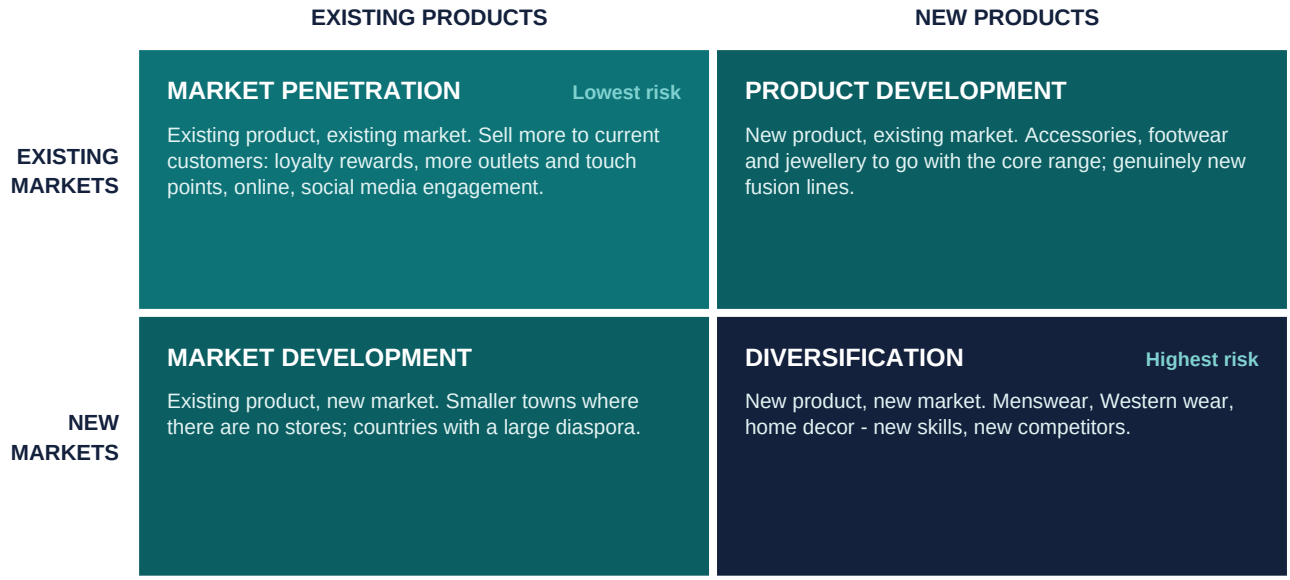


Figure 3.9: The Ansoff matrix, with the options the class generated for the ethnic-wear brand.

Strategy	Product / market	Options the class generated	Risk
Market penetration	Existing product, existing market	Loyalty and reward programmes; more exclusive outlets and franchises; multi-brand outlets; online sales; social media and influencer engagement	Low
Product development	New product, existing market	Accessories, jewellery, footwear and bags to go with the core range; genuinely new fusion lines	Medium
Market development	Existing product, new market	Smaller towns without stores; countries with a large Indian diaspora	Medium
Diversification	New product, new market	Menswear; Western wear; home decor	High

Judgement at the borders

The professor made several points about placing options in the grid.

Check what already exists. If the brand already sells a line - kids' wear or unstitched fabric, say - expanding it is penetration, not product development.

Ask whether skills transfer. Menswear may look like a small step from womenswear, but tailoring for men is a different craft with different cuts and different tailors; the skills do not transfer easily, so she placed it under diversification. Home decor is further still. Western wear brings an entirely new set of competitors and puts the brand's ethnic positioning at risk - high risk, high reward.

Pilot quietly. Participants doubted that menswear was worth it - a small market, bought mainly at festivals. The professor suggested a low-risk test: a small menswear counter inside existing stores, basic solid pieces, no labels or fanfare, and watch how it moves. A participant noted that men accompanying women shoppers have time to browse - an untapped occasion. If it moves, expand, perhaps under a new brand.

Retain the loyal base. One participant's central point was that the brand must keep its existing loyal customers while growing - the Gap lesson again (Section 3.14).

CONCEPT TRAP: THE CELLS ARE A SPECTRUM, NOT BOXES

The lines in the Ansoff matrix are blurred. Whether an option counts as product development or diversification depends on how far the new product is from your skills and how different the new customers and competitors are. Justify the placement; do not just assert it.

MANAGER'S TAKEAWAY

List growth options in all four cells before choosing, and price the risk honestly. A product company usually finds its cheapest growth in penetration. A service firm moving from monitoring into advisory is nearer diversification than it looks, because the skills, buyers and competitors all change - pilot it small before you rebrand around it.

3.16 Product, Service and the Manager's Desk

Idea	In a product business	In a service business
Why segment	Six variants, not one or sixty-five	Three service tiers, not one or bespoke for all
Value first	Toothpaste by need: whitening, sensitivity, cavity	Clients by what they value: speed, reporting, price
Profile the segment	Persona sets media, price and packaging	Who signs, who uses, what each fears
Business markets	Hillrom: key vs prime hospitals	Segment by buying approach and benefits, not just size
Cluster analysis	Survey shoppers' priorities	Cluster clients by what they rate important
Targeting	Attractive and compatible segments	Niches where your expertise wins
Multi-brand discipline	Madura's career ladder; Titan and Fastrack	Advisory vs managed services, clearly split
Gender as a basis	Works for Pleasure; failed for Bic for Her	"Editions" must add value, not just labels
Protect the core	Gap and JCPenney	Do not strip service from paying clients to chase new ones
Ansoff	Penetration first; diversification last	Monitoring to advisory is closer to diversification

The manager's checklist from this session

#	Discipline	What it looks like on Monday morning
1	Segment on what changes buying	Drop any variable that does not change preferences or behaviour.
2	Start with value	List the needs customers bring to the category before slicing by age or city.
3	Then profile	Write a persona for each target segment before designing the 4Ps.
4	Use data, but do not be led by it	Behaviour data shows what; research shows why.
5	Keep segments few and distinct	Three or four, with no customer in two.
6	Score attractiveness and compatibility	Size, growth, usage, CLV - and your right to win.
7	Keep SWOT honest	Internal = strengths and weaknesses; external = opportunities and threats.
8	Avoid cannibalising your own brands	Separate targets for each brand in the portfolio.
9	Add value, not labels	A segment-specific version must meet a different need.
10	Grow without losing the core	Map options on Ansoff, pilot the risky ones, protect loyal customers.

The sharpest lines of the session

> *"Segmentation tries to optimise both effectiveness and efficiency."*
>
> **On why we segment - the professor, paraphrased**

> *"Begin with value-based segmentation, then bring in the other variables."*
>
> **On where to start - the professor, paraphrased**

> *"Unless you know who is in the segment, you cannot decide your 4Ps."*
>
> **On profiling - the professor, paraphrased**

> *"Something that worked in one product category may not work in yours."*
>
> **On Hero Pleasure and Bic for Her - the professor, paraphrased**

> *"Reaching new segments should not come at the cost of your existing customers."*
>
> **On Gap and JCPenney - the professor, paraphrased**

ONE-BREATH SUMMARY

Segmentation divides the actual and potential market into groups that are alike inside and different outside, balancing effectiveness (a mix that fits) against efficiency (dropping differences that do not change buying); its bases are value-based and profile-based - geographic, demographic, psychographic and behavioural, with firmographics, buying approach and benefits sought for business markets - and a good approach starts with the needs customers bring (toothpaste: whitening, sensitivity, cavities, fresh breath), sizes each need, then profiles who is in it so the 4Ps can be designed, even though marketers lean on demographics and behaviour because those are visible or already in their data. Segments are found by judgement or by cluster analysis (Euclidean distance; hierarchical or k-means), read as deviations from the average, and chosen by attractiveness (size, growth, usage, CLV) and compatibility (can we serve them better than rivals). Pepsi and Fastrack used age, Mountain Dew lifestyle, Madura career stage, Hero gender with success and Bic gender with a backlash; Gap and JCPenney show that new segments must not cost you the core; and the Ansoff matrix maps growth from low-risk penetration to high-risk diversification.

3.17 Practice Questions for Session 3

Thirty questions covering every section - definitions, applications, a calculation and the traps. Read the reason under each answer even when you got it right. More questions on this session, mixed with the others, are in the Mixed Question Bank after Session 5.

Q1. Segmentation divides the market into groups that are:
(a) Roughly equal in size, so that each can be served at the same cost
(b) Defined only by demographic variables such as age, gender and income
(c) Relatively homogeneous within, with respect to needs, characteristics or behaviour
(d) Made up only of current customers, since others cannot be studied

Answer: (c) - Alike inside, different outside; actual and potential customers.

Q2. Segmentation improves efficiency mainly by:
(a) Doing away with differences that do not affect buying
(b) Designing a separate strategy for every customer
(c) Raising prices for every segment
(d) Increasing the number of segments

Answer: (a) - Irrelevant differences are dropped, so each segment gets one offering.

Q3. According to the slide, segmentation improves effectiveness through all of the following EXCEPT:
(a) A more targeted marketing mix
(b) Increased customer satisfaction
(c) Higher customer lifetime value
(d) A single offering for the whole market

Answer: (d) - A single offering for all is mass marketing - the opposite of segmentation.

Q4. An AC maker considers pink units for women and blue for men. The professor's view was that:
(a) Gender is the best basis for segmenting air conditioners
(b) Gender is not meaningful here; room size and usage matter more
(c) Colour is the attribute AC buyers care about most
(d) Air conditioners cannot usefully be segmented at all

Answer: (b) - A variable earns a segment only if it changes what people buy.

Q5. "Style-conscious, risk-taker, fun-loving" are examples of which base?
(a) Demographic
(b) Behavioural
(c) Psychographic
(d) Geographic

Answer: (c) - Lifestyle and personality variables.

Q6. User status, usage rate, channel usage and loyalty status are:
(a) Behavioural variables
(b) Psychographic variables
(c) Demographic variables
(d) Value-based variables

Answer: (a) - Behaviour within the product category.

Q7. Colgate's whitening, sensitive and anti-cavity variants are an example of:
(a) Geographic segmentation by region
(b) Value-based (need-based) segmentation
(c) Demographic segmentation by age
(d) Mass marketing with one product

Answer: (b) - Each variant serves a different need.

Q8. The generic approach recommended in class is to:
(a) Apply all five bases at once, so that nothing is missed
(b) Start with geography, and add no other variable after it
(c) Use demographics alone, because they are easy to observe
(d) Start with value-based segmentation, then profile the segments

Answer: (d) - Needs first; then who is in each segment, so the 4Ps can be designed.

Q9. Why is profiling a value-based segment necessary?
(a) Profiling removes the need for any further research on the segment
(b) Profiling makes the segment larger by adding similar customers
(c) Without knowing who is in the segment you cannot decide price, place or promotion
(d) Profiling is needed only when the segment is in a business market

Answer: (c) - Media, ad casting, price points and outlets all depend on the profile.

Q10. Promotion, as the professor defined it, is mainly:
(a) Product placement on shelves
(b) Advertising and sales promotion
(c) Choosing distributors
(d) Setting the list price

Answer: (b) - Placement is a small part; ads and sales promotion are the bulk.

Q11. Marketers use demographics often because they are:
(a) Easily visible and observable
(b) The most predictive of all variables
(c) Required by regulators
(d) Always value-based

Answer: (a) - A shopkeeper can see who buys; that ease drives their use.

Q12. Value-based segmentation is used less than its usefulness suggests mainly because it:
(a) Cannot be applied to business markets
(b) Ignores what customers actually need
(c) Usually needs research into customer motivations
(d) Gives segments that are too large

Answer: (c) - It often starts with qualitative research, which costs time and money.

Q13. In business markets, industry, firm size and ownership are called:
(a) Psychographics
(b) Benefits sought
(c) Buying approach
(d) Firmographics

Answer: (d) - The business-market equivalent of demographics.

Q14. Hillrom found that segmenting hospitals by number of beds was weak because:
(a) The bed counts it used were out of date and often inaccurate, so segments were wrongly drawn
(b) Buying behaviour, not size, separated customers - 50- and 250-bed facilities fell in one segment
(c) Large hospitals had stopped buying equipment and were leasing it from other suppliers
(d) Size gave it too few segments to justify the cost of a separate sales force for each

Answer: (b) - Key and prime customers differed in decision makers and purchase drivers.

Q15. After Hillrom realigned its sales force to key and prime segments, operating income per employee rose by about:
(a) 51%
(b) 11%
(c) 25%
(d) 4 to 5 times

Answer: (a) - Revenue per employee rose 11%; operating income per employee 51%.

Q16. In cluster analysis, the similarity between two respondents is commonly measured by:
(a) The correlation between their incomes
(b) The gap between their ages in years
(c) How recently each of them last bought
(d) Euclidean distance between their ratings

Answer: (d) - Square the differences on each variable, add, take the square root.

Q17. R1 rates three variables (6, 6, 5) and R3 rates them (7, 7, 5). Their Euclidean distance is:
(a) 2
(b) 1
(c) 1.41
(d) 1.73

Answer: (c) - sqrt(1 + 1 + 0) = 1.41.

Q18. In k-means clustering, k is:
(a) The number of clusters the analyst specifies
(b) A number the software finds at the end
(c) The number of variables that are rated
(d) The number of respondents surveyed

Answer: (a) - The analyst asks for, say, 3 clusters; the algorithm assigns and reassigns.

Q19. A customer appears in two clusters after a segmentation exercise. This means:
(a) The segmentation is especially rich, since it captures mixed needs
(b) The exercise has not been done well - segments should not overlap
(c) The customer is a heavy user who needs a segment of his own
(d) The software used k-means, which places some customers twice

Answer: (b) - Good segmentation produces mutually exclusive groups.

Q20. In a preference-based segmentation chart, the 0% line represents:
(a) The rating of the least important variable
(b) The firm's own score on each variable
(c) The average rating of all respondents
(d) A rating of zero importance to everyone

Answer: (c) - Bars show how far each segment sits above or below the average.

Q21. Segment compatibility refers to:
(a) The segment's size, growth and usage, which decide how much it can deliver
(b) How well the firm's chosen segments fit together under a single brand
(c) The lifetime value that a typical customer in the segment will bring
(d) The company's ability to create superior value for the segment relative to competitors

Answer: (d) - Attractiveness asks what the segment is worth; compatibility asks if we can win it.

Q22. A candy launched in only one flavour is, in SWOT terms:
(a) A threat
(b) A weakness
(c) An opportunity
(d) A strength

Answer: (b) - It is internal to the company; threats come from outside.

Q23. Mountain Dew targeting adventure seekers is an example of:
(a) Demographic segmentation
(b) Geographic segmentation
(c) Firmographic segmentation
(d) Psychographic segmentation

Answer: (d) - Adventure seeking is a lifestyle trait.

Q24. Titan created Fastrack as a separate brand mainly to:
(a) Target young buyers while minimising overlap with Titan's own customers
(b) Offer Titan's watches at lower prices without a new name
(c) Enter the business market for corporate gifting of watches
(d) Replace the Titan brand, which was seen as old-fashioned

Answer: (a) - Brands in one portfolio must not cannibalise each other.

Q25. Madura Garments' brands are separated mainly by:
(a) Region and city size
(b) Gender and age group
(c) Occupation and career stage
(d) Fabric and colour

Answer: (c) - Interview (Peter England), mid-level (Van Heusen), corner office (Louis Philippe), smart casual (Allen Solly).

Q26. Hero launched Pleasure in 2006 mainly to:
(a) Enter the motorcycle market, where it was weak
(b) Take on Honda's Activa by targeting women
(c) Target rural men who needed a sturdy scooter
(d) Replace Maestro, whose sales had flattened

Answer: (b) - "Why should boys have all the fun?" - gender-based targeting.

Q27. Which was NOT a reason the class gave for Bic for Her's failure?
(a) It stereotyped women with a "for her" label
(b) Pens are utilitarian and the colour added little value
(c) The ink was a different, inferior formula
(d) It cost about twice as much for a coloured casing

Answer: (c) - The ink was the same blue or black; only the casing changed.

Q28. The professor's caution on the product life cycle was that it applies best:
(a) At the sub-category level, such as black-and-white TVs
(b) To every individual brand, whatever its category
(c) To services, which age faster than products
(d) To luxury goods, which follow fashion cycles

Answer: (a) - A brand's plateau may be a competitive problem to diagnose, not the end of its life.

Q29. Gap and JCPenney illustrate the risk of:
(a) Ignoring cluster analysis when choosing a target segment
(b) Running too few brands to cover every kind of shopper
(c) Pricing too low to pay for a new store layout
(d) Chasing new segments at the cost of loyal existing customers

Answer: (d) - Both strategies alienated the core customer and the leaders were removed.

Q30. An ethnic-wear brand for women launching menswear would be classed by the professor as:
(a) Diversification - new product, new market, non-transferable skills
(b) Market penetration - the brand's existing shoppers would buy it
(c) Product development - a new product for the existing market
(d) Market development - the existing product for a new market

Answer: (a) - Men's tailoring needs different skills; the market is new too.

SESSION 4 OF 5

Positioning

The Image in the Customer's Mind - Perceptual Maps, Points of Parity and Difference, the Positioning Statement, and Repositioning

Sunday, 1 November 2026 | Prof. Ritu Mehta | Live online session

WHAT THIS SESSION COVERS

The P of STP. It opened with one last segmentation story - the same pregnancy test sold as two brands at two prices - and then turned to positioning: what it is, how perceptual maps and multidimensional scaling reveal where brands sit in customers' minds, and how the three-circle framework separates points of parity from points of difference. Renault Kwid, the Tata Nano, Volkswagen's Phaeton and Maruti's Nexa showed positioning succeeding, misfiring and stretching. The class then wrote positioning statements (Snickers, Maggi Oats, Mountain Dew, Gatorade), examined repositioning - why brands do it, how, and why it so often fails - and closed with the case's lesson on mass versus niche positioning.

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4.01 One Product, Two Segments: The Pregnancy Test

The class began by finishing the segmentation discussion with a striking example. A US company that made home pregnancy tests (Quidel) was not doing well, and asked whether value-based segmentation could raise its profits. Are there groups of buyers who want different value from the same test?

There were two. Some women desperately hope for a **positive** result; others desperately hope for a **negative** one. The company called them the **hopefuls** and the **fearfuls**. Segmentation alone achieves nothing unless you build a different strategy for each segment, so it did - with exactly the same test inside.

	Fearfuls (want a negative result)	Hopefuls (want a positive result)
Product name	RapidVue	BabyStart
Packaging	Clinical, white	Pink

	Fearfuls (want a negative result)	Hopefuls (want a positive result)
Placement in the store	Next to condoms and contraceptives	Next to ovulation kits
Price (as the professor recalled)	About $6.99	About $9.99 - roughly 30% more
Why that price	A grudge purchase - like replacing a tyre, you look for the cheapest	A planned, wished-for moment; they are ready, settled and willing to pay

A participant expected the fearfuls to pay more, to avoid a clinic visit. The company's research showed the opposite: hopefuls were willing to pay more. Note that the whole strategy depends on each segment **not discovering** the other product - which is why the name, the pack and above all the shelf location differ. A fearful shopper never walks down the ovulation-kit aisle.

What if customers find out? That risk is real, especially today. The professor's view: for a small brand, the risk may be worth taking; for a big brand, the downside if it is exposed is too large. Yet companies do it all the time:

Example	What was done	How it was justified - or exposed
Gillette women's razors	Essentially the same razor in a pink casing, priced about 30% higher, sometimes with a highlighted moisturising strip	Exposed when Gillette's ad on toxic masculinity drew attention to its own pink pricing; the price gap has since narrowed
A migraine pain reliever	The same tablet sold under a migraine label at a higher price than the standard pain-relief version, on a different shelf	Challenged in court, the company argued the migraine pack carries different and important dosage information, and offers psychological value. As the professor recalled, the company won
Branded versus generic drugs	The same salt sold at very different prices	Trust and psychology - and margins passed on through the distribution chain

CONCEPT TRAP: SAME PRODUCT, DIFFERENT VALUE

Charging two segments different prices for the same product is price discrimination. It works only if the segments genuinely value the product differently, and if the segments can be kept apart - by name, packaging and placement. If either condition fails, it backfires.

MANAGER'S TAKEAWAY

Value-based segmentation can justify different prices for very similar offerings - if each segment truly gets different value and you are comfortable defending it in public. A product company should ask what happens to the brand if the two versions are compared side by side. A service firm offering the same monitoring at two price tiers must make sure the higher tier carries real extra value - faster response, a named analyst - not just a different name.

4.02 What Positioning Is

Asked what positioning is, a participant said "advertising our product in the market". The professor corrected her: that is the **means**. Positioning is the end - the image you want to create in the minds of consumers.

POSITIONING (THE SLIDE)

The marketer's effort to occupy a clear, distinctive and attractive position relative to competing products in the minds of target consumers.

As Ries and Trout put it in 1972, positioning is not what you do to a product; it is what you do to the mind of the prospect.

The professor recalled the discussion of car brands from the campus session. Many car brands are expensive, but beyond price each wants a distinct image: Rolls-Royce stands for luxury, BMW for the pleasure of driving, Maruti for affordability and economic value. Safety is the image another brand chooses to own. Once the image is chosen, the whole strategy - product features, communication, channels - follows from it.

A FORMULA WORTH REMEMBERING

Positioning = target segment + differentiation. You must know whom you are speaking to, and what you offer them that rivals do not. This is why positioning follows targeting in STP.

MANAGER'S TAKEAWAY

A brand's position is the one sentence customers would use to describe it. A product company should be able to finish "we are the brand that..." without a list. A service firm should be able to say what clients think of first when they hear its name - and whether that matches what the firm wants them to think.

4.03 Perceptual Maps

How do you see where brands actually sit in customers' minds? If you know the two attributes customers care about most in the category - customers usually focus on about two - the method is simple. Run a quick survey asking customers to rate each brand on those two attributes, and plot the average ratings. Price and quality is a common pair that works across many categories.

The map shows two things. First, whether customers see your brand where you intended. Second, any **vacant space**: if no brand sits in a combination customers find desirable - say, decent quality at a low price - that gap may be an opportunity.

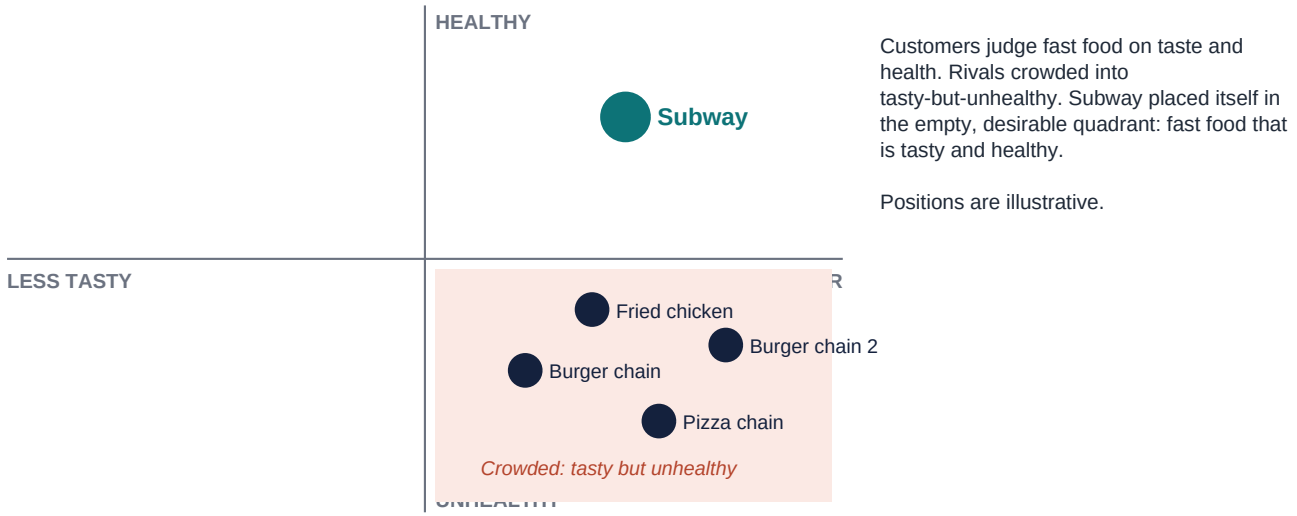


Figure 4.1: How Subway found its space. Customers judged fast food on taste and health.

When Subway entered, it did this exercise with fast-food brands. Customers evaluated them on taste and health, and the existing brands were all bunched in the tasty-but-unhealthy quadrant. Subway positioned itself in the empty, desirable one: fast food that is both healthy and tasty. Its communication followed that position.

MANAGER'S TAKEAWAY

Draw the map before you write the ad. A product company that finds every rival in one corner has found its positioning opportunity - provided customers actually want the empty corner. A service firm can map competitors on, say, depth of expertise and speed of response, and see where clients feel underserved.

4.04 When You Do Not Know the Attributes: MDS

What if you do not know which two attributes customers use? A statistical technique called **multidimensional scaling (MDS)** finds them from one simple question. The professor noted it will not be examined in detail; managers should know it exists.

Step	What happens
1. Ask one question	"How similar are these two brands?" on a 1-5 or 1-7 scale, for every pair of brands in the category.
2. Average the ratings	A table of average similarity for each pair: brand 1 with brand 2, brand 1 with brand 3, and so on.
3. Run MDS	Feed the table into statistical software (SPSS, R, Stata and others) and request an output in two dimensions. Two is easiest to interpret, and in most categories two dimensions stand out.
4. Name the axes	The software places similar brands close together, but it does not name the axes. The researcher must interpret them - from experience, or with help from experts.
5. Look for gaps	As with any perceptual map, find desirable unoccupied space.

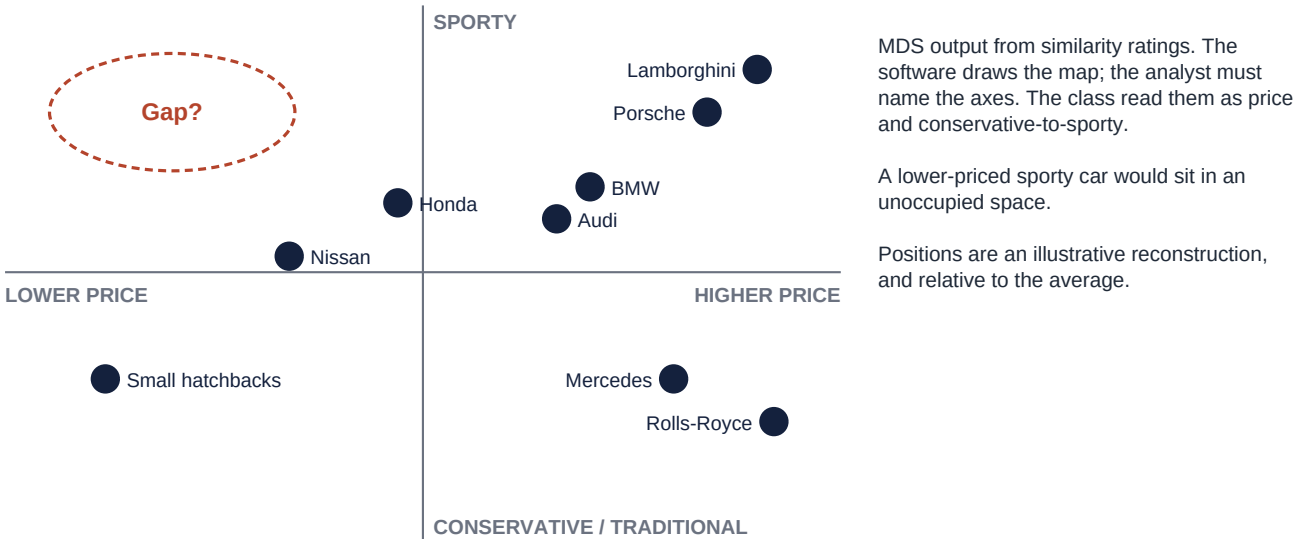


Figure 4.2: The car example - an MDS map whose axes the class interpreted as price and conservative-to-sporty.

The professor showed an MDS output for cars, as Tata Motors might have obtained it. Why do customers see Lamborghini and Porsche as close, but Lamborghini and Rolls-Royce as far apart? Participants interpreted one axis as **price** and the other as something like chauffeur-driven, traditional and conservative versus self-driven and sporty. With that map, a company launching a new car can look for a desirable gap - such as a sporty car at a lower price.

How do you know you have named the axes correctly?

A participant asked how to validate the interpretation, since a wrong reading would mislead the whole exercise. The professor's answers: ask experienced experts in the field; check the interpretation against the brands' product features and against what their advertising says. Remember too that positions are **relative** - the centre is the average of all brands rated - so a brand that sits on the sporty side is sportier than average, not necessarily a sports car.

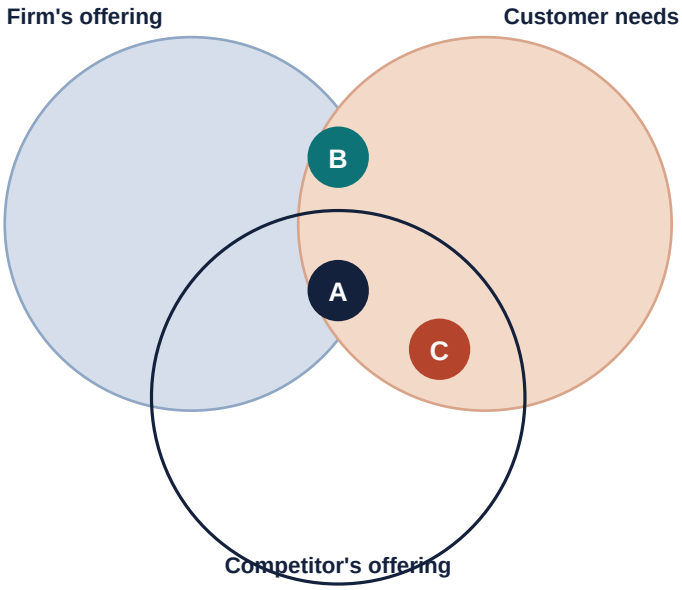
Checking customer perception also catches positioning that has not landed. The professor's example was Goodyear in the 1990s. Tyre buyers mainly look at tread life (how long the tyre lasts) and wet traction. Goodyear invested heavily in a tyre that stopped far better in wet conditions - yet when customers rated it against other tyres, they rated it no differently. The innovation had not translated into perception, and the company had to work out why.

MANAGER'S TAKEAWAY

Measure the position you actually hold, not the one in your strategy deck. A product company that has invested in a real advantage should check, with customers, whether they noticed it. A service firm that believes it is seen as the specialist can ask clients to rate it against rivals - the answer may be "about the same".

4.05 Points of Parity and Points of Difference

A simpler tool for choosing a position is the three-circle framework from the slide. Draw one circle for **customer needs**, one for the **firm's offering** and one for the **competitor's offering**. Where should you position yourself?



A **Points of parity (POP)**
We, the competitor and the customer's needs all share these. They get you considered.

B **Our points of difference (POD)**
What we offer that customers need and the competitor lacks. This is the positioning.

C **Their points of difference**
What the competitor offers that customers need and we lack.

Figure 4.3: The positioning framework from the class slide.

A participant chose the area where all three overlap - it meets every need. The professor asked why you would want to stand exactly where the competitor stands. The right answer is **B**: what you offer, that customers need, and that competitors do not. That is your **point of difference (POD)**, the heart of your positioning. The central area **A**, shared by everyone, holds the **points of parity (POP)**: things you must have to be considered at all, but which give no reason to choose you. Area **C** is the competitor's point of difference - something customers need that you lack.

The professor's example: suppose you launch a weight-loss drug. It must be as effective as the others - that is parity. If it brings nothing more, why does it exist? But if it is more convenient to take, or has fewer side effects (no gastric trouble, say), that is the point of difference you call out.

CONCEPT TRAP: PARITY GETS YOU CONSIDERED; DIFFERENCE GETS YOU CHOSEN

Leading with a point of parity - "effective", "reliable", "good mileage" - says nothing that competitors cannot also say. Points of parity must be met, but the positioning is built on the point of difference that customers value.

MANAGER'S TAKEAWAY

List your POPs and PODs separately and be honest about both. A product company that cannot name a POD customers care about is competing on price whether it likes it or not. A service provider might find that 24x7 monitoring is now parity, while deep knowledge of industrial control systems is a genuine difference worth leading with.

4.06 A New Lens on an Old Segment: Renault Kwid

A participant argued that Indian car buyers look mainly at mileage and reliability, and that most brands market themselves that way. The professor used it to tell the story of **Renault Kwid**.

For years, carmakers in India saw two segments: low-price buyers and high-price buyers - really a proxy for income. High-price buyers were sold features and space. Low-price buyers, the thinking went, care only about economy: "kitna deti hai?" - how much mileage does it give.

Kwid was launched as an affordable small car, but it segmented differently - by **psychographics**. Why should a buyer on a tight budget not also want aspirational features? Kwid brought SUV-like styling and features usually found in bigger cars into an entry-level car, aimed at young buyers. It became one of the best-selling small cars for a while, and sent Maruti's and Hyundai's engineers back to the drawing board. The industry's assumption that low price means mileage alone had been broken.

A participant asked whether this hurt margins. Possibly - that would need analysis - but the car sold very well. The professor added that the entry-level segment later shrank as tighter emission and safety rules and GST raised small-car prices, and has only recently begun to recover.

MANAGER'S TAKEAWAY

Question the segment definitions everyone in your industry takes for granted. A product company that assumes budget buyers want only the basics may be leaving an aspirational segment unserved. A service firm that assumes smaller clients want only the cheapest package may find many will pay for a premium feature that makes them feel looked after.

4.07 The Tata Nano: Intended Versus Actual

The professor returned to the Nano with the new vocabulary. The slide quoted Ratan Tata in 2012: "Nano got wrongly positioned as a poor man's car". He said that was not the intention; it was meant to be an affordable family car. So what was the intended positioning? Use the formula: target segment plus differentiation.

Element	The Nano's intended positioning (from its launch ad)
Behaviour (the main variable)	**Non-users**: families who did not own a car - two-wheeler owners
Geography	Rural areas, smaller towns, semi-urban India
Demographics	Lower-middle income, small households
Psychographics	Aspiring to move up from two wheels to four
Differentiation	Quality and robustness at that price - value - not "lowest price"

Targeting non-users is a legitimate and sometimes brilliant strategy. The professor's example was CavinKare's **Chik** shampoo, which went after rural, low-income consumers who did not use shampoo because they could not afford a bottle, and sold it in sachets. Sachets went on to revolutionise the Indian shampoo industry.

But the Nano's intended position did not land. Because it was the cheapest car in the world, media attention fixed on the price; Ratan Tata was interviewed constantly by Indian and international media about the Rs. 1

lakh car. The coverage, not the company, positioned it as the poor man's car - and in India a car is an aspirational purchase.

And the 4Ps did not follow the positioning, as Session 0 also noted (Section 0.12): there were no dealerships in rural India, so the target customers would have had to travel to the city; and the first cars, allotted by lottery, went largely to people who already owned cars, who compared them with their bigger cars and spread negative word of mouth.

TWO LESSONS IN ONE CAR

Intended positioning is not actual positioning. You can read the intended position from the company's own communication; the actual position is whatever forms in customers' minds.

The 4Ps must follow the positioning. After positioning comes the strategy. A rural, first-time-buyer position needs rural distribution and a way of selling that reaches first-time buyers.

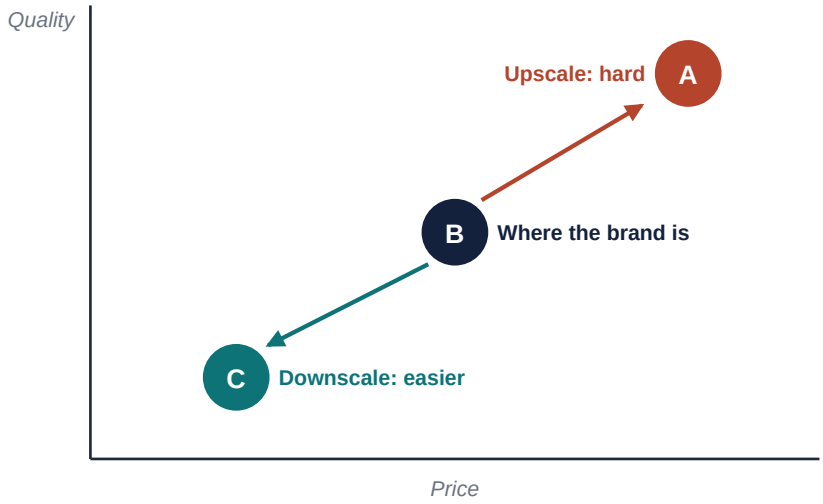
MANAGER'S TAKEAWAY

When a product is newsworthy, plan for how the news will describe it. A product company should decide in advance which story it wants told and seed it. A service firm launching a low-cost tier should expect the market to talk about the price, and make sure the value story is just as easy to repeat.

4.08 How Far Can a Brand Stretch?

How was Volkswagen positioned? In India, participants said a German car with a slightly premium image. Around the world, the name means "people's car": affordable, aimed at the young. When Volkswagen launched the **Phaeton**, an ultra-luxury car, it had all the features and was competitively priced, yet it failed. Buyers in the ultra-luxury segment did not want to be associated with the people's car. And as with the Nano, the strategy did not help: the Phaeton was sold from the same showrooms as Volkswagen's cheaper cars, while a buyer paying for ultra-luxury expects to be treated differently from someone buying an entry-level car.

Maruti faced the same wall. Its early attempts at the premium segment, such as the Kizashi, struggled. Its response was a strategy change: a separate premium retail channel, **Nexa**, with its own showrooms and experience, gradually building a premium presence.



Customers accept a premium brand offering something cheaper under its name (Taj to Vivanta and Ginger).

They resist a mass brand moving up: Volkswagen's Phaeton, Maruti's Kizashi. Toyota went upmarket with a separate name, Lexus, not "Toyota Lexus".

Figure 4.4: Moving down from a premium position is easier than moving up from a value one.

On a price-quality map, the professor asked: is it harder for a brand to move up or down? **Up.** A premium brand can offer a cheaper line under its name and customers accept it - the Taj group's Vivanta and Ginger. A mass brand that moves up is rarely believed. When Toyota went into the ultra-premium segment, it did not call the car a Toyota; it created **Lexus**.

MANAGER'S TAKEAWAY

Do not ask a brand to stand for something its customers will not believe. A product company moving upmarket should consider a separate brand and a separate channel, as Toyota and Maruti did. A service firm known for low-cost delivery that wants to sell premium consulting will usually need a distinct practice name, different people in front of clients, and a different buying experience.

4.09 The Positioning Statement

A positioning statement puts the positioning into one sentence with three elements: **who**, **what** and **why**.

REQUIREMENTS OF A GOOD POSITIONING STATEMENT (THE SLIDE)

Who: the target segment.

What: the point of difference and the frame of reference.

Why: the reason to believe the brand is best at meeting the need.

The **frame of reference** is the competitive frame - the category or alternatives you are benchmarking against. It tells customers what kind of thing you are, so that the point of difference makes sense.

Who is it for?

Is a positioning statement for customers? A participant thought it was a brand differentiator to announce. The professor explained it is mostly an **internal document**, so that everyone in the company - sales, product, engineering, production - understands what the brand stands for and is on the same page. Otherwise, as in the Goodyear story, the sales team says one thing and the brand manager another. It can also form the basis of the brief to an advertising agency.

The templates

The slides offered several templates; they mix and match the elements, and some omit one:

Template	Elements included
"For [target market], [x] provides [point of difference], because [reason to believe]."	Target, POD, reason to believe - no frame of reference
"To customers who are [target summary], our product offers [customer need], relative to [competitive alternatives]."	Target, need, frame of reference - no reason to believe
"Among [target market], [x] is the brand of [frame of reference] that [point of difference] because [reason to believe]."	All four



Template: "Among [target market], [x] is the brand of [frame of reference] that [point of difference] because [reason to believe]." (Chernev, 2011, from the class slide)

Figure 4.5: The four elements of a positioning statement, using the slide's Snickers example.

Asked to write one for Snickers, a participant targeted "anyone who needs to complete a meal". The professor accepted that a customer might see it that way, but showed the brand's own version: among **snackers**, Snickers is the brand of **candy bar** that **satisfies your hunger** because it is **packed with peanuts**. The point of difference is not taste; it is hunger - which is why the ads show people who are not themselves until they eat one.

Working backwards from advertisements

Brand	Who	Frame of reference	Point of difference	Reason to believe
Maggi Oats Noodles (ad shown in class)	Health-conscious families; parents choosing for children	Breakfast options such as cereals	Healthy, tasty and quick	Fibre from oats, real vegetables, ready in two minutes

Brand	Who	Frame of reference	Point of difference	Reason to believe
Mountain Dew (slide example)	Young, active consumers who have little time for sleep	Soft drinks	More energy than other soft drinks	The highest level of caffeine
Gatorade (slide example)	Athletes	Water	Hydrates, replenishes and refuels in ways water can't	*Not stated*

Why would Gatorade leave out the reason to believe? A participant suggested electrolytes. But sports drinks refuel largely through **sugar** (energy drinks rely more on caffeine). Highlighting only part of the reason may not look good, and highlighting sugar would carry negative connotations. Sometimes a brand deliberately leaves an element unsaid.

The Maggi example also showed the brand's own frame mattering. Participants first said the target was children. The professor pointed out that the brand would not want to be seen as only for children; by talking about oats and health, it positions itself as a **breakfast** option parents can choose for the family.

MANAGER'S TAKEAWAY

Write the statement before anything else, and check every activity against it. A product team's packaging, pricing and ad brief should all trace back to the same four elements. A service firm's proposals, website and sales pitch should name the same target, the same frame and the same reason to believe - if the sales team and the marketing team would write different statements, the position is not yet set.

4.10 Repositioning: What It Is and Why

Repositioning means trying to create a new image of the brand in customers' minds. A participant gave Tropicana's redesigned packaging as an example; the professor distinguished it: that was **rebranding** - changing the look, logo or name - not repositioning. Axe's move from seduction to "Find Your Magic" (Session 0) is repositioning.

Fair & Lovely's change of name to Glow & Lovely sits on the line. The brand may intend a new image, but it came in response to a backlash, and in many customers' minds the perception has not changed. One thing is what the brand is trying to do; another is how customers see it.

Why reposition (from the slide and class)	Examples
Customers' needs have changed	**Big Bazaar** (value retail as shoppers grew more aspirational); **Maggi** (from two-minute convenience to health as tastes evolved); **Fair & Lovely**
To target a different segment or expand the customer base	**Saffola** (from heart patients to everyday families); **Cadbury Dairy Milk** (from children to adults and occasions)
The positioning went wrong	**Tata Nano**

Why reposition (from the slide and class)	Examples
Competition has crowded the position, or sales are falling because of the positioning	Axe, after many brands copied its theme (a participant's point)

Is it repositioning, or just growth?

Participants offered many candidates; the professor sorted them. Entering a new segment or adding products is not automatically repositioning. Ask what the brand stood for before, and whether its communication has changed.

Candidate	The professor's view
Starbucks adding tea, sandwiches (and alcohol in some markets)	Growth, not repositioning. It still wants to be seen as a premium coffee outlet - otherwise its competitive set changes. It even chooses cold sandwiches that will not mask the smell of coffee.
Titan Eye+, Tanishq's Mia, Taj's Vivanta	Brand extensions or new brands to grow - the parent brand is not repositioning.
Maruti's Nexa	A strategy to grow into a new segment that also helps a slow repositioning towards premium - building on its past image, not breaking from it.
ITC moving from tobacco into FMCG and hotels	Repositioning at the **company** level, away from being seen as a tobacco company; Sunfeast and Aashirvaad themselves are new brands.
Food-delivery or listing apps adding services; a clothing brand adding kidswear	Not necessarily - if what the brand stands for applies across the new segments, it is expansion.
Jaguar's dramatic 2024 rebrand ahead of an all-electric line (a participant's example)	An attempt at a complete change of target and image.



Figure 4.6: Repositioning is a spectrum, from a cosmetic change to a new image.

MANAGER'S TAKEAWAY

Before calling a move repositioning, ask whether you want customers to think something different about you. A product company adding a line may only need an extension. A service firm moving from "cheapest outsourced monitoring" to "trusted security partner" is repositioning - and needs the budget, patience and proof that implies.

4.11 Repositioning: How, and What Can Go Wrong



Figure 4.7: How to reposition, from the class slide.

Route	Example	What happened
Change the communication only	**Cadbury Dairy Milk**	Long positioned around children's celebrations, it changed its frame of reference to traditional Indian sweets - "kuch meetha ho jaaye" - for adults and occasions, through messaging alone.
Change the communication only	**Saffola**	Its early ads targeted people vulnerable to heart disease: an elderly man in an ambulance, his wife waiting outside the operating theatre. Having built awareness, it widened to everyday healthy cooking for families.
Change the product and communicate	**Tata Nano**	Later ads showed young people and college students and stressed new features - but the image had stuck.
Change the product and communicate	**Fair & Lovely** (an earlier episode)	Research said customers wanted a multipurpose cream. The brand relaunched as multipurpose with new packaging and a higher price, and lost about 20% market share within two months. Over half its sales came from rural markets, where customers had not seen the new ads; seeing a changed pack, they assumed it was a fake.
Change the tagline and store	**Big Bazaar**	From a value promise ("isse sasta aur achha kahin nahin") to "Naye India ka Bazaar", with trendier brands and new layouts, then to "Making India Beautiful". Large investments; neither change worked.
Stretch with a new product	**Kellogg's Special K**	A brand for women trying to lose weight launched a healthy breakfast sandwich (sausage, egg and cheese). Customers could not connect it with weight loss, and it did not work.

WHAT THE EXAMPLES TEACH

Communication is a must. Unless customers are told, nobody knows - and every customer the brand relies on must hear it, including rural ones.

Usually communication alone is not enough. Most repositioning needs supporting changes to the product, channels or strategy (Maruti's Nexa).

It is expensive and slow, and moving far from what the brand stands for usually fails - as with the Phaeton and Special K.

CONCEPT TRAP: A NEW SEGMENT IS NOT A NEW POSITION

Launching a product for a new group, or renaming a product line, is not repositioning unless you are changing what customers think the brand stands for. Brand extension - using the same name for a new product, like Titan Eye+ - is a separate decision, covered in Session 5.

MANAGER'S TAKEAWAY

Plan a repositioning like a product launch: research where you are, decide where you want to be, change what has to change, and make sure every customer group hears about it. A product company that changes the pack without telling its rural buyers risks being mistaken for a counterfeit. A service firm that rebrands without changing its delivery will find clients judge it by the delivery.

4.12 Lessons from the Case: Mass or Niche?

The session's case was a new beverage from an Indian bottled-water company: a caffeine-free drink with vitamins, sitting somewhere between a soft drink and an energy drink. The case is not retold here; its lessons are about a choice every launch faces - position for the **mass** market, or for a **narrower** segment?

	Mass positioning	Niche positioning
Volume	High	Lower
Margin	Lower - mass prices are low	Higher - a narrow segment will pay more
Appeal	Weak - something for everyone becomes very appealing to no one	Strong - very appealing to a few
What the 4Ps must look like	Low price, wide variety and flavours, mass distribution, broad taste appeal	Price, product and channels built for that segment

Applied to the case, the class found that the brand's intended mass position ("anyone, anytime, anywhere") was contradicted by almost everything else:

Element	Mass needs...	What the brand did
Price	A low price	About Rs. 50 - high for a mass drink

Element	Mass needs...	What the brand did
Variants	Many flavours and options	One variant
Name	A neutral, broad name	A name meaning energy - which signals a narrow energy-drink role
Communication	Clear reasons and occasions to drink	A launch ad that never made clear who should drink it, when or why
Distribution	Everywhere - and, for an energy drink, pubs, bars and gyms	Its existing water distribution, missing the channels where energy drinks sell

Why not simply position it as an energy drink? Because the brand feared the limited volume of a small category - and because of **representativeness** (Session 1): one dominant brand defines what an energy drink is - caffeine, sugar, a particular taste. A caffeine-free drink does not fit that prototype, so customers would ask where the energy comes from. If the main source was sugar, the brand could not easily say so either.

THE PROFESSOR'S VERDICT

The product concept was not bad. The positioning was confused, and the strategy was not aligned with any position. Whatever you choose - mass or niche - the price, variants, taste, name, communication and channels must follow it.

A narrower energy-drink position, stressing its real differences (vitamins, no caffeine), might have limited the segment but made the brand far more appealing within it.

Do more research on why buyers choose the category leader. If part of its appeal is symbolic - being seen with the can - a challenger could even price close to it and spend the margin on advertising. A small company with limited marketing money has less room to make errors and relaunch than a giant with deep pockets.

MANAGER'S TAKEAWAY

Choose mass or niche deliberately, then make every P agree. A product company that names its drink "energy" but prices and distributes it as a soft drink has positioned it nowhere. A service firm that claims to serve everyone, with one package and one price, should ask whether a sharper niche would win more of the clients it actually wants.

4.13 Product, Service and the Manager's Desk

Idea	In a product business	In a service business
Value-based price differences	Two names, two packs, two shelves, one test	Tiers must carry real extra value
Positioning = target + difference	Rolls-Royce luxury, BMW driving pleasure	What clients think of first
Perceptual maps and MDS	Subway's healthy-and-tasty gap	Map rivals on expertise and speed

Idea	In a product business	In a service business
POP vs POD	Efficacy is parity; fewer side effects is difference	24x7 is parity; domain depth is difference
Question old segments	Kwid: aspirational features at a low price	Small clients may pay for premium care
Intended vs actual	The Nano: media set the image	A low-cost tier will be talked about as cheap
Stretching up is hard	Phaeton fails; Lexus and Nexa succeed	Premium advisory needs its own name and people
Positioning statement	Snickers: hunger, peanuts	One statement for sales, delivery and marketing
Repositioning	Cadbury and Saffola by communication	Change delivery, not just the logo
Mass or niche	Align price, variants, name and channels	One package for all appeals to no one

The manager's checklist from this session

#	Discipline	What it looks like on Monday morning
1	Define the image you want	Positioning is the end; advertising is the means.
2	Map before you message	Plot brands on the attributes customers use; look for desirable gaps.
3	Check perception	Ask customers where you actually sit - and whether your innovation registered.
4	Separate POP and POD	Meet parity; lead with a difference customers value.
5	Challenge industry assumptions	Ask whether "low price" really means "basic".
6	Align the 4Ps with the position	Channels, price and selling method must reach the target.
7	Move up with a new name	Use a separate brand or channel when stretching upmarket.
8	Write the positioning statement	Who, frame, POD, reason to believe - shared internally.
9	Reposition only with full commitment	Research, decide, change what must change, tell every customer.
10	Choose mass or niche on purpose	Then make price, variants, name and distribution agree.

The sharpest lines of the session

> *"Positioning is not what you do to a product; it is what you do to the mind of the prospect."*
>
> **Ries and Trout, on the class slide (paraphrased)**

"Positioning is target segment plus differentiation."

The professor's formula

"Why would you want to stand where the competitor stands?"

On points of parity

"Moving upscale is far harder than moving downscale."

On brand stretch

"Unless you communicate it, nobody will know you have repositioned."

On the Fair & Lovely relaunch

ONE-BREATH SUMMARY

Positioning is the marketer's effort to occupy a clear, distinctive and attractive place in target customers' minds relative to competitors - target segment plus differentiation - and it is found with perceptual maps on two known attributes (Subway's healthy-and-tasty gap) or with multidimensional scaling from simple similarity ratings (the car map, axes named by the analyst), then expressed through the three-circle framework as points of parity that get you considered and points of difference that get you chosen. Kwid showed a fresh psychographic lens can beat an industry assumption; the Nano showed intended and actual positioning can diverge and that the 4Ps must follow the position; the Phaeton and Kizashi showed brands struggle to move up, which is why Toyota created Lexus and Maruti created Nexa. A positioning statement (who, frame of reference, point of difference, reason to believe - Snickers, Maggi Oats, Mountain Dew, Gatorade) keeps the organisation aligned. Repositioning - creating a new image, not just rebranding - is driven by changing needs, a new target or a positioning gone wrong; it can be done through communication (Cadbury, Saffola) or product and communication, but it is costly, must reach every customer (Fair & Lovely's rural slump) and rarely works far from the brand's core. Finally, mass versus niche is a trade-off of volume against margin and appeal, and whichever is chosen, every P must agree.

4.14 Practice Questions for Session 4

Thirty questions covering every section. Read the reason under each answer even when you got it right. More questions on this session, mixed with the others, are in the Mixed Question Bank after Session 5.

Q1. The pregnancy-test maker split buyers into "hopefuls" and "fearfuls". This is:
(a) Demographic segmentation
(b) Value-based segmentation
(c) Geographic segmentation
(d) Firmographic segmentation

Answer: (b) - The segments differ in the result - the value - they want.

Q2. Which segment was priced higher, and why?
(a) Fearfuls, because they want to avoid a clinic visit
(b) Both equal, to avoid discrimination
(c) Fearfuls, because they buy more often
(d) Hopefuls, because it is a planned, wished-for purchase

Answer: (d) - For fearfuls it is a grudge purchase, so they seek the lowest price.

Q3. Selling the same test under two names works only if:
(a) Both packs look identical, so that buyers trust the cheaper one as well
(b) The price is the same for both, so that neither segment feels cheated
(c) The two segments value it differently and are kept apart by name, pack and placement
(d) Both versions are sold online only, where shelves cannot be compared

Answer: (c) - If segments meet both products side by side, the strategy is exposed.

Q4. Positioning is best defined as:
(a) Advertising the product widely, so that as many target customers as possible become aware of it and of its benefits
(b) The marketer's effort to occupy a clear, distinctive and attractive place in target customers' minds relative to competitors
(c) Placing the product on the right shelf, in the right stores, where target customers will look for it and its rivals
(d) Setting a price that tells target customers where the product stands in relation to competing products

Answer: (b) - Advertising is a means; the image in the mind is the end.

Q5. The professor's formula for positioning is:
(a) Target segment + differentiation
(b) Price + quality
(c) Product + promotion
(d) Segmentation + targeting

Answer: (a) - Know whom you serve and what you offer them that rivals do not.

Q6. A perceptual map built from a survey requires you to know:
(a) Every competitor's cost of production
(b) The firm's market share in each segment
(c) The two attributes customers use most in the category
(d) The discount rate used for the category

Answer: (c) - Customers rate brands on those attributes and the averages are plotted.

Q7. Subway's entry into fast food illustrates:
(a) Extending an established brand into a new category
(b) Mass marketing with one standard offer for everyone
(c) Repositioning a brand whose image had gone stale
(d) Finding a desirable vacant space on a perceptual map

Answer: (d) - Rivals were tasty but unhealthy; Subway claimed tasty and healthy.

Q8. Multidimensional scaling asks respondents mainly:
(a) How much they would pay
(b) How similar pairs of brands are
(c) Their age and income
(d) Which ad they recall

Answer: (b) - Similarity ratings alone are enough; the software builds the map.

Q9. In MDS, who names the dimensions of the output map?
(a) The researcher, using experience or expert input
(b) The software, from the similarity ratings
(c) The respondents, while rating the pairs
(d) The brands, through their advertising

Answer: (a) - The algorithm places brands; interpretation is the analyst's job.

Q10. Usually an MDS output is requested in two dimensions because:
(a) Statistical software cannot produce more than two
(b) Customers use only one attribute, plus price
(c) A third dimension always repeats the first two
(d) It is easiest to interpret, and two dimensions usually stand out

Answer: (d) - Three-dimensional outputs are hard to read.

Q11. Goodyear's wet-traction tyre story shows that:
(a) An innovation always shifts customers' perception in time
(b) Tread life does not matter to people who buy tyres
(c) A real product advantage may not register in customers' minds
(d) Tyres are a commodity that cannot be positioned

Answer: (c) - Customers rated it no differently; the positioning had not translated.

Q12. In the three-circle framework, your point of difference is the area where:
(a) Your offering meets customer needs and the competitor's does not
(b) All three circles overlap
(c) The competitor's offering meets needs and yours does not
(d) Your offering does not meet any need

Answer: (a) - Area B. The three-way overlap is points of parity.

Q13. A weight-loss drug that works as well as rivals but causes no gastric trouble. Its point of difference is:
(a) Its effectiveness
(b) Fewer side effects
(c) Its price
(d) Its category

Answer: (b) - Effectiveness is parity; fewer side effects is the difference.

Q14. Renault Kwid broke the assumption that budget car buyers want only mileage by segmenting on:
(a) Geography - small towns against large cities
(b) Demographics - income bands of first-time buyers
(c) Psychographics - aspirational features for young buyers
(d) Behaviour - how many kilometres a buyer drives

Answer: (c) - It offered SUV-like styling and bigger-car features at a low price.

Q15. Chik shampoo's sachets targeted rural consumers who did not use shampoo. This targeting used:
(a) Psychographic segmentation
(b) Firmographics
(c) Gender
(d) Behavioural segmentation - non-users

Answer: (d) - Like the Nano's two-wheeler owners, the target was defined by non-use.

Q16. Ratan Tata said the Nano "got wrongly positioned". The best explanation is that:
(a) Tata's own advertisements called it the cheapest car in the world
(b) Media attention to its record low price fixed the image, contrary to the intended position
(c) It turned out to be too expensive for the families it was aimed at
(d) It was deliberately aimed at existing car owners as a second car

Answer: (b) - Its ads stressed quality and robustness; the coverage stressed price.

Q17. You can best judge a company's intended positioning from:
(a) Its share price and results
(b) Its competitors' advertising
(c) Newspaper and TV headlines
(d) Its own communication and advertising

Answer: (d) - Intended position shows in what the brand says about itself.

Q18. Volkswagen's Phaeton failed mainly because:
(a) Buyers of ultra-luxury cars did not want to be associated with a people's-car brand, and it was sold from the same showrooms
(b) It lacked the features and finish that buyers of ultra-luxury cars expect, and reviewers said so at launch
(c) It was priced well above rival luxury cars and had no dealer network of its own to support it
(d) It was launched only in India, where the market for ultra-luxury cars is still very small

Answer: (a) - Positioning plus a misaligned channel.

Q19. On a price-quality map, which move is hardest for a brand?
(a) Downscale, offering a cheaper line under the same name
(b) Sideways, adding a variant at the same price point
(c) Upscale, offering a premium line under the same name
(d) None; all moves are equally hard for a brand

Answer: (c) - Customers accept a premium brand going down more readily than a mass brand going up.

Q20. Toyota entered the ultra-premium market with:
(a) A sub-brand, Toyota Lexus
(b) A separate brand, Lexus
(c) A price cut on the Camry
(d) A new channel, like Nexa

Answer: (b) - A new name avoided the upscale-stretch problem.

Q21. The three key elements of a positioning statement are:
(a) Product, price, place and promotion, each stated in one line for the target
(b) Strengths, weaknesses, opportunities and threats, as customers see them
(c) Who (target), what (point of difference and frame of reference), why (reason to believe)
(d) Segment, target and position, written out in the order they were decided

Answer: (c) - Who, what and why, per the slide.

Q22. A positioning statement is mainly:
(a) An internal document that aligns everyone on what the brand stands for
(b) An advertising slogan written for customers to remember
(c) A legal filing that protects the brand's name and logo
(d) A price list that shows where the brand sits in its market

Answer: (a) - It can also be the basis for an agency brief.

Q23. In "Among snackers, Snickers is the brand of candy bar that satisfies your hunger because it is packed with peanuts", the frame of reference is:
(a) Snackers
(b) Satisfies your hunger
(c) Packed with peanuts
(d) Candy bar

Answer: (d) - The frame is the competitive category the brand benchmarks against.

Q24. In the Gatorade statement, the frame of reference is:
(a) Water
(b) Soft drinks
(c) Energy drinks
(d) Athletes

Answer: (a) - "Hydrates, replenishes and refuels in ways water can't."

Q25. Why might Gatorade not state a reason to believe?
(a) It has no reason to believe, since water hydrates just as well
(b) Much of the refuelling comes from sugar, which carries negative connotations
(c) Positioning statements never include one for a sports drink
(d) Electrolytes may not be mentioned on the label of a drink

Answer: (b) - Highlighting only part of the reason, or sugar, may not look good.

Q26. Tropicana changing its packaging is best described as:
(a) Repositioning
(b) Brand extension
(c) Diversification
(d) Rebranding

Answer: (d) - A new look is not a new image in customers' minds.

Q27. Starbucks adding sandwiches and tea is, in the professor's view:
(a) Repositioning itself as a food company with coffee on the side
(b) Diversification into an unrelated business with new customers
(c) A growth move; it still wants to be seen as a premium coffee outlet
(d) Rebranding, since the look of its stores changed with the menu

Answer: (c) - Adding products is not repositioning unless the brand's meaning changes.

Q28. Cadbury Dairy Milk's move to "kuch meetha ho jaaye" repositioned the brand mainly by:
(a) Changing the communication and frame of reference to traditional sweets
(b) Changing the chocolate's recipe to taste more like a sweet
(c) Cutting the price to match that of traditional sweets
(d) Selling through sweet shops instead of grocery stores

Answer: (a) - A communication-only repositioning that widened it to adults and occasions.

Q29. Fair & Lovely's multipurpose relaunch lost about 20% share in two months mainly because:
(a) The new cream did not work as well as the old one on dark spots
(b) Competitors cut their prices as soon as the relaunch was announced
(c) The name was changed to Glow & Lovely at the same time as the pack
(d) Rural customers had not seen the new ads and thought the changed pack was fake

Answer: (d) - Repositioning must be communicated to every customer group.

Q30. A launch positioned for "anyone, anytime" but priced at about Rs. 50, with one variant and an energy-themed name, illustrates:

(a) Strong mass positioning that needed only a larger advertising budget
(b) Confused positioning - the 4Ps contradict the intended mass position
(c) A sound niche strategy let down by the choice of retail outlets
(d) A successful repositioning from an energy drink to a soft drink

Answer: (b) - Mass needs low price, variety and broad appeal; every P must agree.

SESSION 5 OF 5

Brand Management

What a Brand Is, Why It Is Worth Building, the Four Challenges, Brand Extension and Fit, Branding Approaches, and Managing a Portfolio of Brands

Sunday, 15 November 2026 | Prof. Ritu Mehta | Live online session

WHAT THIS SESSION COVERS

The last regular session moved from STP to the brand itself. It asked what makes brands like Apple and Harley-Davidson so powerful that people queue overnight or tattoo the logo on their arms; what a brand is (from the Norse word for burning a mark on cattle to the AMA definition); and why strong brands pay - as shortcuts for buyers, as a store of trust in a crisis (Tylenol, Maggi), even as a filter on taste. It then covered the four challenges of building one - cash, staying contemporary, clutter and consistency - before turning to brand extension: line versus category extensions, when to extend and when to create a new brand, and why fit decides success (Crystal Pepsi, Bic, Pond's, Lifebuoy, Amul). It closed with branding approaches from house of brands to branded house, ingredient, store and fighter brands, portfolio rationalisation, and the case's lesson on extending a service brand.

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5.01 Where We Are in the Framework

The professor opened with a recap. The broad framework of marketing management is STP followed by the 4Ps, and the 4Ps - product, price, place, promotion - follow from the decisions on target and positioning. That is why so much time went to STP; the 4Ps have been met mostly through cases, and the 5Cs support every one of these decisions.

Asked to define positioning without using the word "position", a participant offered "placement". The professor separated the terms: placement means shelf placement or product placement in films, each with its own technical meaning. Positioning is the **image you want to create in customers' minds**, different from competitors - target market plus point of difference. The positioning statement (who, what, why) aligns the

organisation, and repositioning is hard and usually succeeds only in small steps. And expanding into a new segment while the point of difference stays the same is not repositioning; Cadbury's move was, because its target and its frame of reference both changed.

Today the focus moves to the brand. Brand management sits within the product P, and services are part of product too; a dedicated session on services, and one on pricing, were planned for the campus visit.

MANAGER'S TAKEAWAY

Brand decisions are not separate from STP; they are how STP lives on in customers' minds over years. A product brand that drifts from its positioning loses its meaning. A service brand is even more exposed, because every delivery is a fresh test of the promise.

5.02 What Strong Brands Look Like

The professor showed a photograph: a long queue of tents outside an Apple store in Sydney, in the rain, the night before the iPhone 6 launch. One woman even sent a robot to stand in the queue for her. Similar queues have formed in India for later iPhones. How do you build a brand people will wait all night for?

She asked whose brands the participants were fans of. Answers included Apple, IFB (for the quality of its appliances), IKEA, Sony and a limited Adidas Yeezy drop that drew a queue at Connaught Place with people paying double. One example drew a distinction: queues outside a clothing store for a one-day 70% discount show the power of the discount, not the brand. A real fan gets excited about every new launch, reads about it, and will pay more - in money and in time.

Participants also described what makes IKEA special: it changed what furniture means. Furniture used to be bought to last a lifetime, with a salesperson by your side; IKEA offered good value and good design that you could change more often, chosen and carried by yourself. It changed buying behaviour in a whole category.

Harley-Davidson: the poster child of branding

Harley-Davidson, founded in 1903, spends very little on advertising. At one point it did away with a separate branding department, because its employees and owners do the branding: they dress the part, ride together, and staff join the owners' rides. Its owners' club, the Harley Owners Group, goes by HOG. When the company turned 100 in 2003, around a lakh riders came to its home city, Milwaukee, to celebrate. Some owners tattoo the logo on their arms - a level of loyalty few brands could imagine.

Twice the company came close to bankruptcy, and twice the brand saved it. When Japanese motorcycles flooded the US - efficient, technologically advanced, cheaper - Harley tried to match them on volume and cost, and its quality suffered. It was acquired by AMF (American Machine and Foundry), which pushed production further and played down the Harley name; that did not sit well with riders, and debt mounted. A group of executives, with outside funding, bought the company back. Since then Harley has competed on legacy rather than on Japanese terms - and it now earns steady income by **licensing** its name to products from fragrances to cafes, even a Barbie collaboration.

A participant asked whether celebrities are brands too. Yes: marketing has moved from products to places to people. You yourself can build a brand, as strong as you make it.

MANAGER'S TAKEAWAY

The test of a strong brand is what customers will give up for it - time, money, or the cheaper option. A product company whose customers come back only for discounts has a promotion, not a brand. A service firm has a brand when clients ask for it by name in a tender and its own people describe it the same way the clients do.

5.03 What a Brand Is

The word comes from the Old Norse *brandr*, meaning "to burn". In Scandinavian cattle-rearing communities, where nearly everyone kept cattle, owners burned a mark onto their animals with a hot iron so that each could tell his own from his neighbour's. A brand began as a mark of ownership and difference.

View of a brand (from the slide)	What it stresses
The AMA: a customer experience represented by a collection of images and ideas; often a symbol such as a name, logo or slogan, or a combination, that identifies a seller's goods and services and differentiates them from competitors'	Both the experience and the identifying mark
A promise made by a firm to its customers	What the customer can expect, every time
A network of thoughts or associations, positive or negative, in consumer memory	Everything that comes to mind

In the business press, "brand" and "rebranding" often refer only to the logo or symbol, which is the narrow sense. The fuller sense is the network of associations. Asked what Shah Rukh Khan stands for, participants said romance and dreams; someone else might think of his smoking. A strong brand needs mostly positive associations.

Where brand management came from

In 1931 Neil McElroy, a young Harvard graduate at Procter & Gamble, was assigned to sell Camay soap. He found himself competing against P&G's own flagship soap, Ivory, with no dedicated resources. He wrote a memo to top management asking for a dedicated team for his brand. Management agreed, and the memo - still easy to find and read - became the birth certificate of **brand management**. Companies began to organise around brands, not just functions, with separate teams for separate brands, and the idea that each brand must be differentiated took hold.

MANAGER'S TAKEAWAY

Define your brand by the associations you want in customers' memories, not by the logo. A product company should list the five words it wants customers to think of, and check them in research. A service firm should do the same - and remember that its people are the most powerful source of those associations.

5.04 Why Build a Strong Brand

Participants listed the benefits: customers proud to own it, trust and loyalty, repeat sales, an emotional connection when the customer's values match the brand's, easier launches of new products, value for the company (brand equity and valuation), and a boost to the impact of marketing and distribution - distributors are keener to stock a strong brand. The slides added three more.

1. Brands are shortcuts for buyers

Recall the heuristics of Session 1. A buyer facing three televisions with similar features cannot tell them apart, so the brand becomes the deciding shortcut. A Sony fan or an IFB fan simply buys the brand again.

2. Brands earn the benefit of the doubt

In 1982, several people in the Chicago area died after taking **Tylenol**, Johnson & Johnson's leading pain reliever. Investigators found that someone had opened capsules and replaced the contents with cyanide; an employee was suspected, but it was never proved. Johnson & Johnson did not merely tell distributors to stop selling. It recalled Tylenol from the shelves - 31 million bottles, per the slide - worked with agencies including the government to warn people, advertised heavily so that nobody would take it, and relaunched with tamper-proof packaging and tablets. As one adviser put it on the slide, before 1982 nobody ever recalled anything. It was the first major product recall, and the handling is still the model.

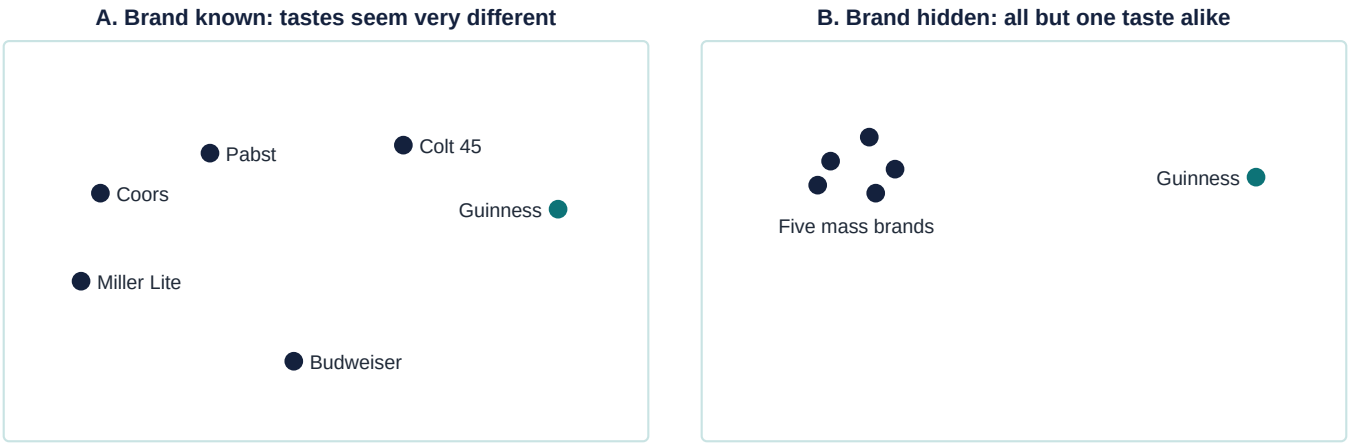
One would expect Tylenol's sales to have collapsed. In the professor's account, once it returned it regained its market share within a short time. Trust built over years carried the brand through.

Maggi is the Indian parallel. In 2015 it was accused of excess lead and MSG and taken off the shelves for about six months before being cleared. With about 75% of the market gone, who should have gained? Participants said pasta and macaroni; really, other noodle brands such as Yippee. Yet people lost trust in the whole noodle category and simply ate fewer noodles. When Maggi returned, it climbed back to about 60% of the market quickly. The brand, not the category, held the trust.

> **GOOD TO KNOW - THE TYLENOL NUMBERS**
>
> Seven people died in the 1982 poisonings. Tylenol's share of the US pain-relief market fell sharply, from about 35% to single digits, and recovered most of the loss within about a year after the relaunch in triple-sealed packaging. The recall became the textbook case of crisis management.

3. Brands shape perception - even taste

A study cited on the slide asked drinkers to rate six beer brands on taste. When they knew which brand they were drinking, the brands appeared spread across the taste map. When the brand names were hidden, five mass-market brands collapsed into one cluster - people could not taste the difference. Only Guinness, an Irish stout with a distinctly different texture and flavour, stayed apart. The brand name was doing much of the "tasting".



Redrawn from the class slide (Keller, 2003). Positions approximate.

Figure 5.1: Brands shape taste perception (Keller, 2003, as shown in class).

The professor linked this to the Coke and Pepsi blind tests: when the labels were hidden, people often preferred Pepsi; when they knew what they were drinking, the outcome changed. And a strong brand can charge a **higher price**.

MANAGER'S TAKEAWAY

Brand equity is insurance you buy before you need it. A product company that has earned trust can recall a faulty batch and survive, as Tylenol and Maggi did. A service provider that has built trust over years will be given time to explain an incident - provided it acts openly and fast, as Johnson & Johnson did.

5.05 The Hard Part (1): Cash and Staying Contemporary

If brands are so valuable, why are strong ones rare? Participants named maintaining the image, standing out, delivering on promises and earning trust. The professor organised the challenges as four Cs.

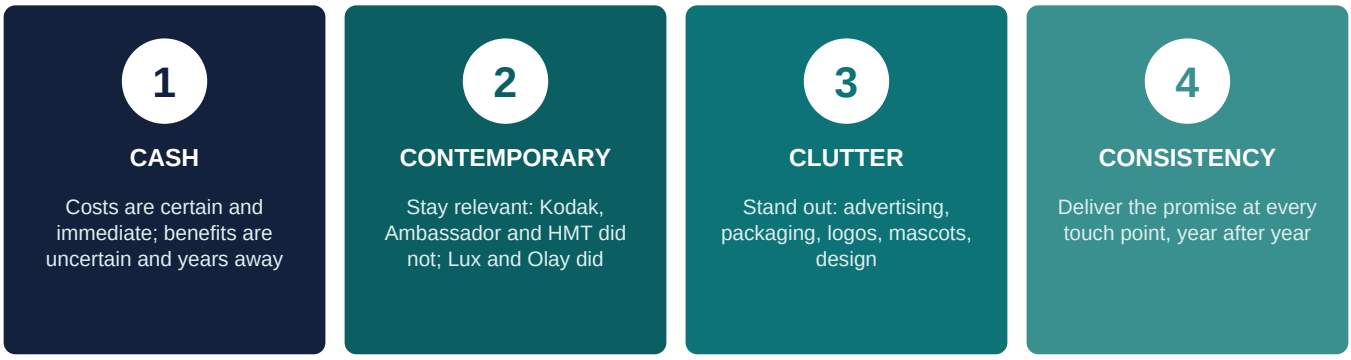


Figure 5.2: The four challenges in building a strong brand.

Cash: the timing problem

The professor asked how long an IIM graduate typically stays in a first job: two to two and a half years. In the class the estimate was around three and a half. And how long does it take to build a strong brand - one that pulls customers, not one propped up by discounts? Participants guessed six months, then two to five years. The answer: **decades**. The few brands that seem to rise in two or three years are the survivors of thousands that failed and are never mentioned.



Figure 5.3: The mismatch between a manager's horizon and a brand's.

> **WHY MANAGERS UNDER-INVEST IN BRANDS (THE SLIDE)**
>
> The costs of brand building are quantifiable, certain and immediate. The benefits are hard to quantify, uncertain and in the future. A manager with quarterly targets who expects to move on in three years has every reason to choose short-term measures instead.

The most common short-term measure is the frequent sales promotion. Run them often enough and customers stop buying the brand and start buying the promotion; raise the price later and nobody will pay it. In the professor's experience, this tenure mismatch is one of the strongest reasons brands decline.

Contemporary: staying relevant

Brand	What happened
Kodak (failure)	So dominant that a captured moment was called a "Kodak moment". Kodak actually invented the digital camera and sat on many patents, but feared hurting its film business. Engineers who showed new digital products were told to keep them in the drawer. Kodak was in the business of preserving memories; people found new ways to do that.
Ambassador (failure)	For over 30 years the king of Indian roads and a symbol of high office - prime ministers rode in one until Atal Bihari Vajpayee moved to a BMW. No change in design, poor fuel efficiency, little innovation; Maruti arrived with efficient modern cars and took the market. Today you see a few as Kolkata taxis.
HMT watches (failure)	The leading watch brand and the default gift. Titan arrived with quartz technology. Like Kodak, HMT had the technology but did not move in time; it was perhaps also badly timed and priced. (A participant noted a recent revival of interest in some HMT models.)
Lux (success)	The core product has barely changed for decades, but Lux keeps itself current by changing its endorsers - a long line of film heroines, from Leela Chitnis, the first Indian actress in a Lux ad, to Katrina Kaif.

Brand	What happened
Olay (success)	Once "Oil of Olay", with a mature woman's face on the pack. Over time "oil" came to suggest something sticky rather than good cosmetics. P&G dropped the word, refreshed the look and brought in younger faces - a successful repositioning.

MANAGER'S TAKEAWAY

Fund the brand as an investment, and protect it from quarterly raids. A product company should cap how often a brand can be discounted. A service firm should keep investing in thought leadership and client experience even in a tight quarter - and keep watching whether its core service, like Kodak's film, is being made obsolete by something it already knows how to do.

5.06 The Hard Part (2): Clutter and Consistency

Clutter: standing out

Differentiation does not always need a new technology. Fogg's "no gas" product change (Session 0) is one route, but the slide listed others.

Route to stand out	Examples (from the slide and class)
Advertising	Nirma's jingle, which people can still sing; Surf Excel
Packaging	Sunfeast Dark Fantasy; Nivea's blue tin - so distinctive that Nivea fought a competitor who launched in a similar blue pack
Logos	Thums Up, Nike
Mascot	Amul's butter girl - the product is the same butter, but the topical ads on politics, sport and the news keep the brand from looking old
Design	Pentonic pens: no technological breakthrough, but a fresh design in a dull category

The professor played a scene from the TV series *Mad Men*. Cigarette makers can no longer make health claims, and a tobacco client wonders what is left to say. Six companies make six nearly identical products, so the agency can say anything - as long as it says it first. How is Lucky Strike made? The tobacco is grown, cut, cured and **toasted**. Everyone toasts tobacco, but the slogan becomes "It's toasted". The point: in a cluttered category, being the first to claim something can be enough to differentiate.

Consistency: delivering the promise every time

Every customer touch point is a **moment of truth**, and the brand must deliver at each one - Starbucks was the slide's example. The difficulty of doing this for decades shows in the Fortune 500: of the companies on the first list in 1955, only about 60 - roughly 12% - were still on it in 2017.

The Axe case (Session 0) is the cautionary tale. Axe was the first brand to make deodorant a real category in India, and led for years. But it kept saying the same thing - attract women - while copycats said it too, so it never found its "it's toasted". As leader, it also had a duty to grow the category: educate Indians on how to use

a deodorant, reach rural buyers with small packs as sachet shampoos had done, move into perfumes. It did none of it in time, and a much smaller rival, Fogg, dislodged it.

MANAGER'S TAKEAWAY

Pick one memorable way to stand out, then deliver it the same way everywhere. A product company might own a pack shape or a mascot. A service firm stands out through a distinctive report, a named method or a response promise - but only if every analyst, every shift and every country delivers it identically.

5.07 Brand Extension: Line and Category

Every time a company launches a new product, it faces a choice: use a new name, or an existing one. Using an existing brand name for a new product is **brand extension** - Godrej, Maggi and Nike were the slide's examples.

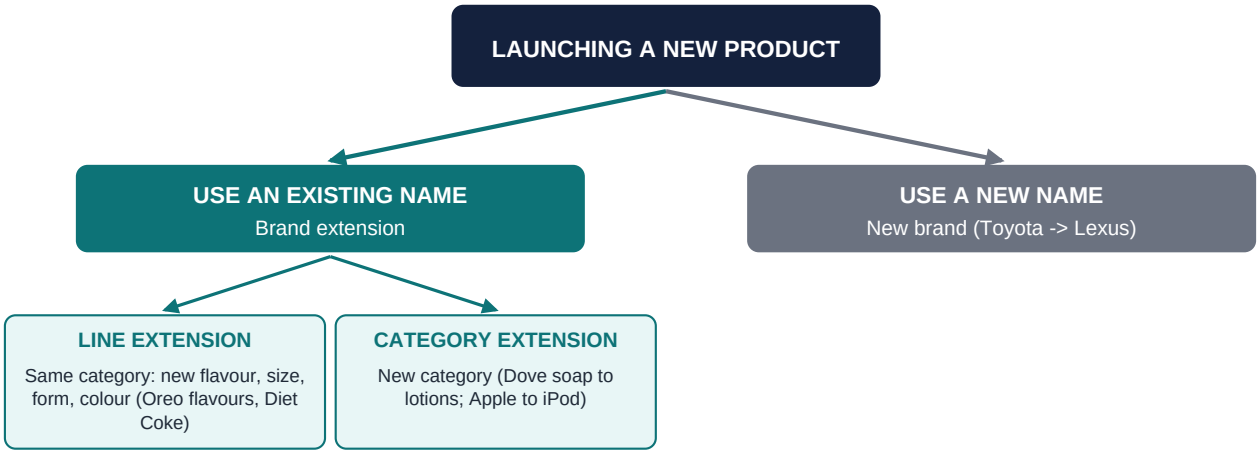


Figure 5.4: The naming decision for a new product.

Type	Definition (from the slide)	Examples from class
Line extension	Existing brand name, existing product category - new flavours, pack sizes, forms, ingredients, colours	Diet Coke; Oreo's strawberry and other fillings; Lay's flavours; a liquid version of a powder; a perfume line within the same fragrance category
Category (brand) extension	Existing brand name, new product category	Dove from soap to deodorant and lotions; Apple from computers to the iPod and iPhone

Some textbooks use "brand extension" only for category extensions; the class used it as the umbrella term for both. The boundary can blur: Bajaj moving from scooters into motorcycles could be called a category extension, or a line extension within two-wheelers.

MANAGER'S TAKEAWAY

Most growth starts as a line extension, because it is cheaper and safer. A product company adds flavours and sizes to keep customers who want variety. A service firm adds a tier or a module - the risk rises sharply only when it carries its name into a genuinely new category.

5.08 Extend or Create a New Brand?

Why extend (from the slide and class)	The disadvantages of extending
Saves time and money - you leverage a brand that took decades to build	May cannibalise the parent brand
Responds to neglected customer needs and to more competition	May dilute the parent brand's image
Aids awareness, associations and evaluation - quicker acceptance	Loses the chance to reach a different segment with a new brand and new associations
Induces trial and reduces the customer's risk	Reputational risk: if the new product fails, the parent suffers
Lets customers switch without leaving the brand (Lay's flavours keep a bored customer from moving to Kurkure)	A blurred, less sharp positioning than a clean new brand could have
Reduces dependence on one or a few products	

The advantages of a new brand are simply the disadvantages of extension turned round: a clean slate, a sharper positioning, freedom to price differently and to reach a different segment without touching the parent's image. A participant gave the example of an ethnic-wear brand creating a separate, lower-priced brand rather than stretching its own name down - and Toyota's Lexus is the upward version (Session 4).

Cannibalisation and naming

The professor gave an example of how naming affects cannibalisation. If Colgate launches a sensitive-teeth toothpaste as "Colgate Sensitive", more of its sales tend to come from Colgate's own customers switching from other Colgate variants. Give the product a different name and build its awareness, and more of the sales come from competitors' customers. If cannibalisation is the worry, a new name is safer.

A participant asked about a **fighter brand** - a brand launched to fight low-priced competitors. Is it an extension? Only if it carries the parent's name. If cannibalisation is a concern, launch the fighter brand under a new name, so that it does not pull down the parent or steal its customers. And franchising, another participant asked? No - franchising is a distribution decision, a way to make the brand accessible, not an extension.

MANAGER'S TAKEAWAY

Write down what you gain and what you risk before choosing the name. A product company launching a cheaper line should ask whether it wants those buyers associated with its main brand. A service firm launching a low-cost offer should consider a separate name, so that the premium practice is not judged by it.

5.09 Perceived Fit: Why Some Extensions Work

Every example in this part of the class carried the same heading: **perceived fit** between the parent brand and the extension - a meaningful connection, from the customer's point of view.

Extension	What happened	Why - the fit
Crystal Pepsi (Pepsi)	A clear, lighter-flavoured cola. A small group of loyal buyers formed, but most people were confused: a cola is brown; was this like Sprite? It failed.	"Cola" means brown; "clear" broke the association
Tab Clear (Coca-Cola)	Seeing Crystal Pepsi gain a niche, Coke launched Tab Clear under its diet brand and placed it next to Crystal Pepsi, adding to the confusion. Both failed, and Tab was damaged.	A "kamikaze" strategy - destroying the rival at a cost to itself
Diet Coke and Coke Zero	Both succeeded. Coke Zero, launched later, came because Diet Coke was seen as feminine and men avoided it (Session 0).	Fit within cola; gender-based segments
Bic lighters and razors	Success.	Bic stood for affordable, disposable products - a fit for lighters and razors
Bic perfume	Failure.	Perfume is hedonic and needs a lasting brand image; "cheap and disposable" hurt
Huggies to adult diapers	Kimberly-Clark used a new name, Depend, rather than a Huggies extension.	Adults would not want a toddlers' brand
Pond's toothpaste	Failed, though powder and cream succeeded.	Pond's means external beauty, not oral care
Lifebuoy talcum powder	Failed, while prickly-heat powder and hand wash worked.	Lifebuoy means hygiene and killing germs, not beauty
Amul pizza	Test-marketed in Gujarat in its own outlets, reasonably priced; it was dropped.	Amul means milk and dairy - ice cream, cheese, butter all fit; pizza did not

Amul Happy Treats - ready-to-cook French fries, burger patties and aloo tikki, test-marketed in Ahmedabad - divided the class. One participant liked it because she trusts Amul. The professor's question was not whether Amul is a good brand, but whether these products are good for Amul: could the same products have been launched simply as Happy Treats, with a little more time and money, without risking Amul's strong dairy

association?

THE FRAMEWORK FOR DECIDING

1. Bring out the parent brand's associations from customers - all of them, not just the product category (Bic's "affordable and disposable" mattered more than "stationery").

2. Ask whether those associations help or hurt in the new category, and whether the company has the skills customers will expect there.

3. If they help, extend; if not, create a new brand. Support the decision with research - conjoint analysis, for example, can test how much buyers would pay for a product under different names.

The professor illustrated the framework with **Jio**. Its associations, from the class: free, cheap mobile plans, freedom. Fine for telecom - but would you send your child to a Jio-branded educational institute? Those associations do not help a premium education brand. By contrast, Tata has built an association with trust that can travel across very different categories.

Using the parent, then letting go

Brands often use the parent name at launch and drop it later: **Vivanta by Taj** became Vivanta; **Fastrack** early ads carried "by Titan". Reusing a known name can also help: Maruti brought back the **Grand Vitara** name - from an earlier model that had not done well - for its strong hybrid SUV in 2022. Customers recognised the name without negative associations, and the car became a success.

MANAGER'S TAKEAWAY

Ask customers what your brand means before you ask what else it could sell. A product company should test whether its associations travel. A service firm extending from, say, monitoring into advisory should check whether clients associate it with expertise (which travels) or with low cost (which may not).

5.10 Branding Approaches: House of Brands to Branded House

Whenever a company launches a product under an existing name, it must also decide **how much emphasis** to put on the parent brand. Think of it as a spectrum.

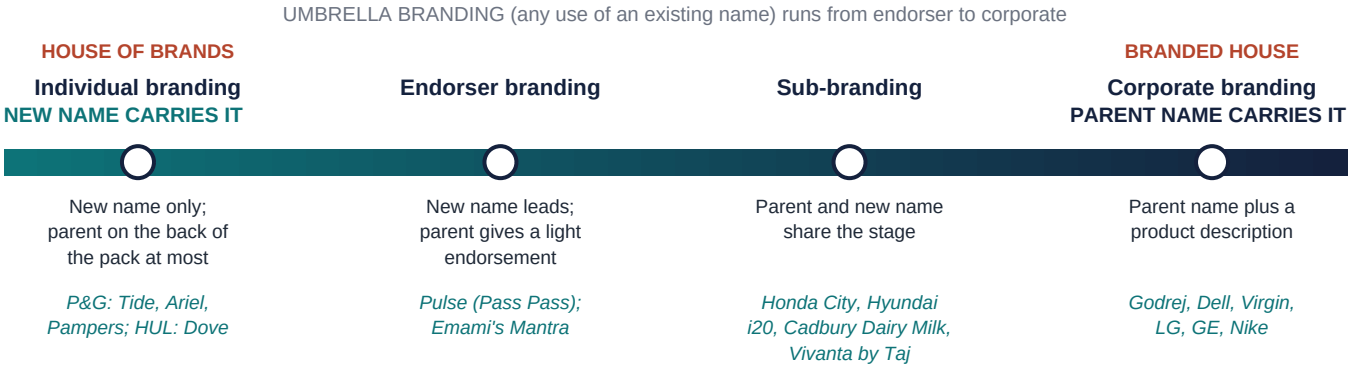


Figure 5.5: Branding approaches, from individual branding to corporate branding.

Approach	What it means	Examples from class
Individual (product) branding	Every product gets its own new name	P&G's Tide, Ariel, Pampers, Head & Shoulders, Whisper; HUL's Dove. Customers often do not know who owns them.
Endorser branding	The new name leads; the parent appears lightly as an endorsement	Pulse (from DS Group's Pass Pass): the pack carries Pass Pass, but the ads say Pulse. Urzza on a Bisleri can. Emami's spice brand Mantra, with "Emami Healthy & Tasty" on the pack
Sub-branding	Parent and new name share emphasis	Honda City, Honda Civic, Hyundai i10, i20, Creta; Cadbury Dairy Milk; Vivanta by Taj; Apple's iPod, iPad and MacBook
Corporate branding	The parent name plus a product description	Godrej refrigerators, Godrej locks; Dell laptops; Virgin Music, Virgin Airlines; LG; GE; Nike shoes and apparel

HOUSE OF BRANDS VERSUS BRANDED HOUSE (FIRM-LEVEL STRATEGIES)

House of brands: a firm that tends to launch new products under new names and holds a portfolio of individual brands - P&G, HUL.

Branded house: a firm whose name is used on almost all its offerings - Dell, Virgin, Godrej, GE. Nike, which uses its name on everything, is close to a branded house even with sub-brands such as Nike Air.

How do you classify a particular brand? Look at how the company names it in its advertising, on the front of the pack and in interviews. ITC's Sunfeast, Aashirvaad and Classmate do not carry ITC on the front, so they are individual brands (the class debated this). Cadbury Dairy Milk puts Cadbury up front: sub-branding. The boundaries are blurred; judge by emphasis.

Emami's spices sparked debate. Emami, known for cosmetics (and, in the east, for its mustard oil), launched spices as Mantra with a light Emami endorsement. Participants called it endorser branding. Several said they would hesitate to buy "cosmetic-company" spices; the professor's view was that Mantra might have been better off without the Emami name - though only research could settle it.

> *"A rose by any other name would smell as sweet - Shakespeare. Marketers would beg to differ."*
>
> **The professor on naming, paraphrased**

In categories where buyers cannot judge quality - perfume, for instance - the name may be most of what they pay for. Companies spend real time on naming.

MANAGER'S TAKEAWAY

Choose the branding approach deliberately for each launch. A product company with a trusted corporate name may gain from a branded house; one serving very different segments may need a house of brands. A services group can use its corporate name for trust and a sub-brand to signal a distinct offer - for example, the group name plus a named practice for a specialist service.

5.11 Ingredient, Store and Fighter Brands

Concept	What it is	Examples
Ingredient branding	A form of co-branding in which a branded component inside another branded product is promoted	Intel Inside on HP and Dell laptops; Teflon non-stick coating (the pioneer - Teflon is a chemical brand that cookware makers advertised); Michelin tyres on cars; airlines advertising the Boeing Dreamliner; Tata Steelium used by furniture makers
Private (store) label brands	Products branded by the retailer, usually made by outsourced manufacturers	Spencer's, Shoppers Stop, Pantaloons; grocery and e-commerce chains' own snacks and staples
Manufacturers' brands	National brands sold through many retailers	P&G, HUL
Fighter (fighting) brands	A brand launched to fight low-priced competitors, ideally under a new name to limit cannibalisation	See Section 5.08

CONCEPT TRAP: A BRANDED INGREDIENT MUST BE A COMPONENT

Food cooked with a branded spice mix, or labelled organic, is not ingredient branding by default. Ingredient branding requires a branded component inside the product to be promoted - and buyers to value it enough to pay more, as they did for "Intel Inside".

Why retailers push their own labels

Store brands are priced lower, yet their margins for the retailer are higher. The retailer has already built trust through the store, so it saves on brand building and marketing, and the chain has fewer middlemen. Meanwhile manufacturers' brands, with their bargaining power, leave retailers thin margins. So retailers promote their own labels, offering customers good quality at a reasonable price.

MANAGER'S TAKEAWAY

Know which side of the shelf you are on. A manufacturer should expect retailers to push store brands and should make its own brand worth the price gap. A service firm can play the ingredient role: a managed service built on a well-known platform can name it, as laptops named Intel, if clients value it.

5.12 Brand Portfolio Rationalisation

Brands multiply. Companies add them year after year until there are too many, dissipating resources on brands that contribute little. **Brand portfolio rationalisation** means optimising - usually cutting down - the number of brands. The usual rule of thumb is **80/20**: about 20% of a firm's brands bring in about 80% of its sales or profits.

Company	What it did (from the slide)
HLL (now HUL), 2001	Chose to focus on 30 of its 110 brands
P&G, 2014	Announced it would focus on 70-80 brands and drop about 100 (Wall Street Journal, August 2014)

How to decide which brands to keep

Criterion	What it means	Example
Contribution, sales and profit	Keep brands that cover their variable costs and contribute; a brand with negative contribution is not even recovering its variable costs	-
Market position	Keep brands that rank in the top three (or five) in their category	HUL's 2001 cut
Clear, non-overlapping positioning	Two brands with the same positioning compete with each other; keep one	Detergents: Rin (whitening), Surf (stain removal), Wheel (value). Soaps: Jai and Breeze overlapped, so Breeze went
Future growth potential	Keep a brand outside the top five if it has a strong image to build on	Pears - not top five on price, but a strong image, later extended into body wash
Strong regional brands	Keep brands with a strong regional franchise	Hamam, with medicinal and herbal associations in the south

Contribution is not profit

A participant described contribution as a share of total sales; the professor clarified. **Contribution** is price minus variable cost. Fixed costs should not drive the keep-or-drop decision, because they remain whether or not the brand exists. A brand can show a loss after fixed costs are allocated and still have a positive contribution - it is helping to cover fixed costs.

Per unit	Brand X	Reading
Selling price	Rs. 100	
Variable cost	Rs. 70	
Contribution	Rs. 30	Positive: every unit sold helps cover fixed costs
Allocated fixed cost	Rs. 40	Would be incurred anyway
Profit after fixed costs	- Rs. 10	A loss on paper, yet dropping X loses Rs. 30 a unit of cover

The exercise must be repeated periodically; even with regular reviews, giants such as Nestle, P&G and HUL have found their brand count creeping into three digits.

MANAGER'S TAKEAWAY

Review your brand or service portfolio every year with the same five tests. A product company should drop overlapping brands rather than let them fight each other. A service firm with a dozen overlapping offerings should merge those that clients cannot tell apart - and keep the small one with a strong niche or growth story.

5.13 Lessons from the Case: Extending a Service Brand

The session's case was an Indian hospital brand built on **emergency care** - its communication had long shown ambulances and burn patients - now expanding into areas such as cancer and cardiac care. The case is not retold here; its lesson is how to extend a service brand whose associations were built for something else.

	Emergency care	Cancer care
Nature	Unplanned, urgent	Planned, long-term
What the provider is	The saviour	A long-term partner
Decision	Top-of-mind recall at the moment of crisis	Considered choice, often after research

A participant worried about cannibalisation. The professor corrected the term: cannibalisation means a new product's sales coming from your existing product's sales, and cancer patients do not substitute for emergency patients. The real risk is **dilution** - a weak cancer service damaging the emergency image.

So what should the cancer unit be called? Participants proposed endorser branding, to protect the core if the new unit struggled; others, simply using the existing name. The professor leaned towards **sub-branding** with

the parent name prominent, because in services **trust** matters even more and takes very long to build, and excellence in emergency care does not conflict with cancer care. In practice the hospital used the parent name with descriptors - its cancer institute, academy, labs - and used different media for different segments: more direct, targeted marketing for oncology, while emergency messaging stayed broad.

THE DELICATE BALANCE

Every brand faces pressure to grow, and growth often comes at the cost of diluting the parent. The answer is to manage it delicately. Starbucks added tea and food - but chose cold sandwiches that do not interfere with the smell of coffee. Even so, the more it sells food, the more it risks being compared with McDonald's rather than coffee chains.

MANAGER'S TAKEAWAY

Services lean on trust, so the parent name usually earns its place on a new service - but only if the new service can live up to it. A hospital, a bank or a security provider extending into a new specialty should launch with the parent name, invest so that the new unit delivers to the same standard, and speak to each segment through the media it actually uses.

5.14 Product, Service and the Manager's Desk

Idea	In a product business	In a service business
Strong brand	Queues for Apple; Harley tattoos	Clients name you in the tender
Trust as insurance	Tylenol, Maggi	Time to explain an incident
Cash	Ration discounts	Keep investing in reputation in lean quarters
Contemporary	Lux endorsers, Olay refresh	Do not let your core service become your Kodak film
Clutter	Nivea tin, Amul girl, "it's toasted"	A named method or a signature report
Consistency	Every pack the same	Every shift, analyst and country the same
Extension fit	Bic lighters yes, perfume no	Expertise travels; low cost may not
Branding approach	House of brands vs branded house	Group name plus named practices
Portfolio	Drop overlapping brands	Merge offers clients cannot tell apart
Extending a service brand	-	Sub-brand with the trusted parent name

The manager's checklist from this session

#	Discipline	What it looks like on Monday morning
1	Measure the brand, not just sales	Track associations, loyalty and price premium alongside volume.
2	Protect brand investment	Budget brand building as a multi-year investment, not a quarterly cost.
3	Limit promotions	Frequent discounts teach customers to buy the deal, not the brand.
4	Stay contemporary	Refresh faces, packs and products before relevance fades.
5	Own one point of distinction	A pack, a mascot, a claim made first.
6	Deliver at every touch point	Treat each interaction as a moment of truth.
7	Test fit before extending	List associations; check they help in the new category.
8	Choose the name to manage cannibalisation	New name for fighter brands and distinct segments.
9	Decide parent emphasis	Individual, endorser, sub-brand or corporate - deliberately.
10	Rationalise yearly	Contribution, rank, positioning overlap, growth, regional strength.

The sharpest lines of the session

> *"If you have to give a discount to get a queue, it is not the power of the brand."*
> **On real brand loyalty**

> *"Building a strong brand takes decades; managers stay three years."*
> **On the cash challenge**

> *"Before 1982, nobody ever recalled anything."*
> **On Tylenol, quoted on the class slide**

> *"Customers end up buying the promotion, not the brand."*
> **On frequent sales promotions**

> *"A rose by any other name would smell as sweet - marketers would beg to differ."*
> **On naming**

ONE-BREATH SUMMARY

A brand began as a mark burned on cattle and is now a customer experience, a promise and a network of associations; strong brands (Apple's queues, Harley's tattoos and licensing) act as shortcuts for buyers, earn trust that survives crises (Tylenol's recall, Maggi's comeback), shape even taste (the blind beer test) and command a price premium, but building one means beating four challenges - cash (decades of investment against managers' three-year horizons and the lure of promotions), staying contemporary (Kodak, Ambassador and HMT failed; Lux and Olay kept up), breaking clutter (Nirma, Nivea's tin, Amul's girl, "it's toasted") and delivering consistently at every touch point (only 12% of the 1955 Fortune 500 survived to 2017). Brand extension uses an existing name for a new product, as a line or a category extension, saving time and money but risking cannibalisation and dilution; success depends on perceived fit with the parent's associations (Bic's lighters worked, its perfume did not; Pond's toothpaste, Lifebuoy talc and Amul pizza failed). Branding approaches run from individual brands (house of brands) through endorser and sub-brands to corporate branding (branded house); ingredient, store and fighter brands fill out the toolkit; portfolios should be rationalised on contribution, rank, non-overlapping positioning, growth and regional strength; and a service brand extending into new specialties should usually lead with its trusted name, while managing dilution.

5.15 Practice Questions for Session 5

Thirty questions covering every section. Read the reason under each answer even when you got it right. More questions on this session, mixed with the others, are in the Mixed Question Bank after Session 5.

Q1. The word "brand" comes from the Old Norse brandr, meaning:
(a) To sell
(b) To own
(c) To trade
(d) To burn

Answer: (d) - Owners burned marks on cattle to tell them apart.

Q2. Which is NOT one of the views of a brand on the class slide?
(a) A customer experience represented by images and ideas
(b) The legal registration of a company's name
(c) A promise made by a firm to its customers
(d) A network of associations in consumer memory

Answer: (b) - The three views stress experience, promise and associations.

Q3. A queue outside a store for a one-day 70% discount mainly shows:
(a) The power of the discount, not the brand
(b) Strong loyalty to the brand
(c) High brand equity in fashion
(d) The pull of ingredient branding

Answer: (a) - A real fan pays more, in money and time, without a discount.

Q4. Harley-Davidson is called the poster child of branding mainly because:
(a) It spends more on advertising than any other motorcycle maker in the world
(b) It keeps its prices below those of Japanese motorcycles of the same size
(c) It has never been in financial trouble since it was founded in 1903
(d) It built intense loyalty with little advertising, its employees and riders carrying the brand

Answer: (d) - Owners' rides, HOG, even tattoos - and licensing income.

Q5. Brand management as a function is traced to a 1931 memo by:
(a) Philip Kotler, the author
(b) Peter Drucker, the thinker
(c) Neil McElroy of P&G;
(d) Al Ries, the consultant

Answer: (c) - He asked for a dedicated team for Camay, which competed with P&G;'s own Ivory.

Q6. Johnson & Johnson's handling of the 1982 Tylenol poisonings is remembered because it:
(a) Recalled the product nationwide and relaunched with tamper-proof packaging
(b) Blamed its distributors and withdrew only the affected batches
(c) Changed the brand name and relaunched it as a new product
(d) Cut the price sharply to win customers back after the scare

Answer: (a) - The first major recall; trust in the brand brought it back.

Q7. When Maggi was off the shelves in 2015, the main effect was that:
(a) Yippee took most of its share permanently
(b) Consumers lost trust in the noodle category as a whole
(c) Pasta sales replaced noodle sales exactly
(d) Maggi never returned

Answer: (b) - Maggi came back to about 60% share; trust sat with the brand.

Q8. In the blind beer test, when brand names were hidden:
(a) All six brands still tasted clearly different
(b) Guinness could not be told from the others
(c) Five mass brands tasted alike; only Guinness stood apart
(d) Drinkers preferred the cheapest of the six

Answer: (c) - Brands shape perception, even of taste.

Q9. Which is NOT one of the four challenges (Cs) in building a strong brand?
(a) Cash
(b) Contemporary
(c) Clutter
(d) Channels

Answer: (d) - Cash, contemporary, clutter and consistency.

Q10. The cash challenge arises because brand-building costs are:
(a) Uncertain and in the future, while benefits are immediate
(b) Certain and immediate, while benefits are uncertain and in the future
(c) Tax-free
(d) Always small

Answer: (b) - Managers with short tenures prefer short-term measures.

Q11. Running sales promotions too often tends to:
(a) Strengthen the brand by reminding buyers of it often
(b) Raise the price premium the brand can command
(c) Cut through the clutter of rival advertising
(d) Teach customers to buy the promotion, not the brand

Answer: (d) - Later, nobody will pay full price.

Q12. Kodak's decline is best explained by:
(a) Failing to stay contemporary - it invented digital but protected film
(b) Weak distribution outside the United States and Europe
(c) Too many brand extensions that diluted the Kodak name
(d) A fighter brand that cannibalised its premium film

Answer: (a) - It sat on its own patents for fear of hurting film.

Q13. Lux has stayed relevant for decades mainly by:
(a) Changing its core product often
(b) Cutting prices
(c) Changing its celebrity endorsers
(d) Becoming a house of brands

Answer: (c) - From Leela Chitnis onwards, a succession of heroines.

Q14. Olay's change from "Oil of Olay" was made because:
(a) The oil it contained was banned in several of its main markets
(b) "Oil" suggested stickiness rather than cosmetics, and the brand looked dated
(c) P&G had sold the brand and the new owner wanted a new name
(d) It was being turned into an ingredient brand for other creams

Answer: (b) - Dropping the word and refreshing the look repositioned it.

Q15. Lucky Strike's "It's toasted" in Mad Men illustrates:
(a) Delivering the same promise at every touch point
(b) Promoting a branded component inside a product
(c) Breaking the clutter by being first to claim something
(d) Cutting the number of brands in a portfolio

Answer: (c) - Everyone toasted tobacco; only one brand said so.

Q16. Only about what share of the 1955 Fortune 500 was still on the list in 2017?
(a) 12%
(b) 50%
(c) 30%
(d) 2%

Answer: (a) - About 60 companies - evidence of how hard consistency is.

Q17. Launching new flavours of an existing biscuit under the same name is a:
(a) Category extension
(b) New brand
(c) Fighter brand
(d) Line extension

Answer: (d) - Existing name, existing category.

Q18. Dove moving from soap into body lotion is a:
(a) Category extension
(b) Line extension
(c) Store brand
(d) Ingredient brand

Answer: (a) - Existing name, new category.

Q19. Which is a disadvantage of brand extension?
(a) It saves time and money
(b) It may dilute the parent brand
(c) It aids awareness
(d) It reduces risk for customers

Answer: (b) - Also cannibalisation and losing the chance to reach a new segment with a new brand.

Q20. A fighter brand meant to battle low-priced rivals is best launched:
(a) Under the parent's name, to borrow its trust and awareness
(b) As a store brand, sold through one retail chain only
(c) Only online, where the parent brand is not available
(d) Under a new name, to limit cannibalisation and protect the parent

Answer: (d) - A new name keeps the parent's image and customers safe.

Q21. Crystal Pepsi failed mainly because:
(a) It was priced well above ordinary colas in the same pack
(b) It contained no caffeine and tasted too weak for cola drinkers
(c) "Clear cola" confused buyers - cola is associated with brown
(d) Coca-Cola held a patent that kept it out of most stores

Answer: (c) - The extension broke a core category association.

Q22. Coca-Cola's Tab Clear, launched next to Crystal Pepsi, is described as a:
(a) Kamikaze strategy - hurting the rival at a cost to itself
(b) Fighter brand that succeeded in protecting Coke's core
(c) Line extension of Coke that widened its appeal
(d) Store brand made for one large retail chain

Answer: (a) - Both products failed and Tab was damaged.

Q23. Bic's lighters and razors succeeded while its perfume failed because:
(a) Perfume is seen as a stationery product, which Bic's buyers do not want from it
(b) The perfume was priced too high for a brand known for affordable products
(c) Lighters and razors are ingredient brands, while perfume is sold on its own
(d) Bic's "affordable, disposable" association fits lighters and razors but not hedonic perfume

Answer: (d) - Fit comes from all the parent's associations, not just its category.

Q24. Pond's toothpaste failed mainly because:
(a) Pond's had too little awareness outside cities
(b) Pond's means external beauty, not oral care
(c) It was priced too low to look effective
(d) It cannibalised Pond's own cold cream

Answer: (b) - Its powder and cream fit; toothpaste did not.

Q25. Honda City, Hyundai i20 and Cadbury Dairy Milk are examples of:
(a) Individual branding
(b) Ingredient branding
(c) Sub-branding
(d) Store brands

Answer: (c) - Parent and new name share emphasis.

Q26. P&G;'s Tide, Ariel and Pampers reflect which firm-level strategy?
(a) House of brands
(b) Branded house
(c) Ingredient branding
(d) Private labels

Answer: (a) - Individual brands; the parent stays in the background.

Q27. Godrej, Dell and Virgin reflect which strategy?
(a) House of brands (individual branding)
(b) Branded house (corporate branding)
(c) Endorser branding (a light parent name)
(d) Fighter branding (a low-price flanker)

Answer: (b) - The firm's name is on almost every offering.

Q28. "Intel Inside" on a laptop is an example of:
(a) A private label
(b) A fighter brand
(c) Line extension
(d) Ingredient branding

Answer: (d) - A branded component inside another branded product is promoted.

Q29. A brand has a price of Rs. 100, variable cost Rs. 70 and allocated fixed cost Rs. 40 per unit. Dropping it would:
(a) Save Rs. 10 per unit, the loss it shows after fixed costs
(b) Save Rs. 40 per unit, the fixed cost allocated to it
(c) Lose Rs. 30 per unit of contribution toward fixed costs
(d) Change nothing, since price covers variable cost

Answer: (c) - Contribution is positive; the fixed costs remain anyway.

Q30. A hospital brand known for emergency care opens a cancer unit. The main brand risk the professor highlighted is:

(a) Cannibalisation of its emergency patients by the new unit
(b) Dilution of the parent brand if the new unit disappoints
(c) Confusion with ingredient brands used in treatment
(d) Competition from private-label hospital chains

Answer: (b) - The segments do not substitute; image damage is the risk.

PART 6 | BEYOND THE CLASSROOM

Completing the Toolkit

How Buyers Decide, the Four Ps in Depth, Services, Reading an Industry, Brand Equity and Marketing Metrics - the Standard Frameworks the Five Sessions Did Not Reach

Added by the author from standard marketing texts | Not class material

WHAT THIS PART IS - AND WHAT IT IS NOT

Five Sundays cannot hold all of marketing. The module went deep where the professor chose to - the customer's mind, research, STP and the brand - and met the four Ps mostly through cases; sessions on pricing and on services were planned for the campus visit. This part fills in the standard frameworks a manager is expected to know, so that the book leaves no gap in the fundamentals. It is written from standard marketing texts, chiefly Kotler and Keller's *Marketing Management*, the module's suggested book. **None of it was taught in class**, and the Mixed Question Bank and the Exam Cheat Code do not draw on it. Every section says which class idea it connects to, so that the new tool has somewhere to hang.

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6.01 Where Every Tool Fits

Think of how a good doctor works. She examines you, then decides what is wrong, then treats it, then asks you to come back in two weeks. A marketing plan makes the same four moves: **understand** the situation, **choose** whom to serve and what to stand for, **deliver** the offer, and **sustain** the relationship. Session 0 gave the first three their names - the 5Cs, STP and the 4Ps (Section 0.09). Every framework in this book belongs to one of the four moves.

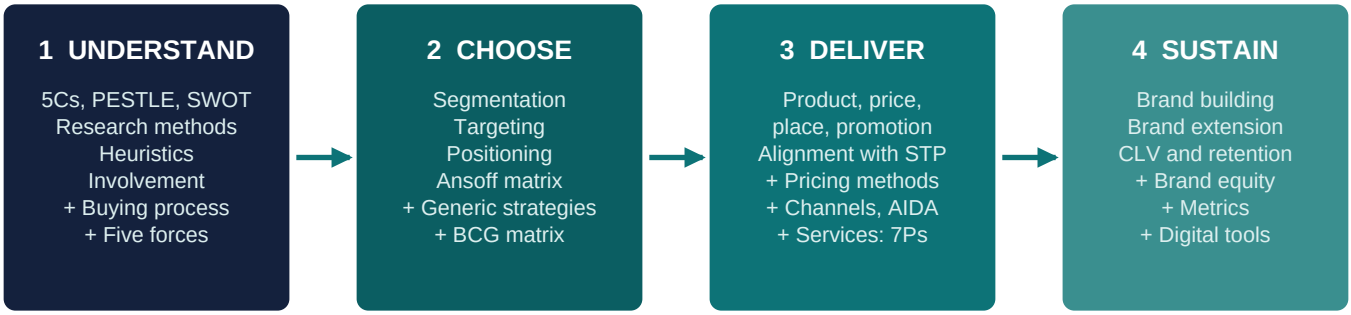


Figure 6.1: The four moves of a marketing plan. Items marked + are added in this part; the rest were taught in class.

Move	The question	Taught in class	Added in this part
Understand	What is going on - with customers, rivals and the world?	5Cs and PESTLE (0.05, 0.06); heuristics (Session 1); research methods and involvement (Session 2); SWOT (3.10)	The buying process and buying roles (6.02); the five forces (6.08)
Choose	Whom do we serve, what do we stand for, and where do we grow?	Segmentation, targeting, positioning (Sessions 3 and 4); the Ansoff matrix (2.13)	Generic strategies (6.08); the BCG matrix (6.09)
Deliver	What exactly do we offer, at what price, through whom, saying what?	The 4Ps in outline (0.09) and why they must line up (0.11)	Product (6.03), price (6.04), place (6.05), promotion (6.06), services and the 7Ps (6.07)
Sustain	How do we keep customers and the brand strong - and how do we know?	The brand (Session 5); customer lifetime value (0.17, 0.18)	Brand equity (6.10); metrics (6.11); digital tools (6.12)

HOW TO USE A FRAMEWORK

A framework is a checklist that stops you missing things (Section 0.04). It does not produce the answer. Each one exists to answer a single question, so the skill is to recognise which question you are facing and reach for the tool built for it. Section 6.13 lists them that way.

6.02 How Buyers Decide: The Buying Process

Suppose your family decides to buy its first car. Nobody wakes up one morning and buys one. First the scooter stops being enough for four people. Then you ask colleagues, watch reviews and visit showrooms. You shortlist three models and compare mileage, space, price and service. You book one - unless a last-minute offer from another dealer, or your father-in-law's firm opinion, changes your mind. And for weeks afterwards you keep checking whether you chose right. Textbooks call this the **five-stage buying decision process**.



Figure 6.2: The five stages a buyer passes through in a considered purchase.

Stage	What the buyer does	What the marketer should do	Where class touched it
1. Need recognition	Feels a gap between how things are and how they could be - triggered from inside (hunger) or outside (an ad, a neighbour's new car)	Find the need and trigger it; show the problem	P&G hunting for nuisances (2.01); raising involvement (2.11)
2. Information search	Draws on memory, friends, reviews, shops and the web	Be present and credible where buyers look; earn word of mouth	Availability and recall (1.07)
3. Evaluation of alternatives	Narrows many brands to a small **consideration set** and compares on a few attributes	Get into the set (parity), then win on the attribute that matters (difference)	Points of parity and difference (4.05); perceptual maps (4.03); the decoy (1.09)
4. Purchase decision	Chooses brand, dealer, quantity, timing and payment - and can still be diverted	Remove last-mile friction: stock, price, finance, a helpful salesperson	Availability before advertising (2.10); anchors at the shelf (1.04)
5. Post-purchase behaviour	Uses the product, judges it against expectations, and talks about it	Deliver what was promised; reassure; handle complaints well	Crisis handling and recovery (1.07); retention and CLV (0.17)

Two points turn this from a diagram into a tool. First, buyers walk through all five stages only when **involvement is high**. For a candy or a packet of salt the buyer jumps from need to purchase, deciding by habit or by what is visible - which is why availability and recall did so much of the work in Session 2 (Section 2.11). Second, **satisfaction is a comparison**: what the buyer got against what the buyer expected. Promise too much in the advertisement and even a good product disappoints. After a big purchase buyers often feel a nagging doubt - did I choose right? - called **post-purchase dissonance**. That is why good companies keep talking to the customer after the sale: a welcome call, a first free service, a note confirming a good choice.

Who is "the buyer"? Five roles

In the car example, the person who signed the cheque was not the only one who mattered. In most purchases larger than a packet of biscuits, up to five roles are played - sometimes by five different people.

Role	What the person does	The family car	A business purchase
Initiator	First suggests buying	The teenager who says the scooter is embarrassing	The plant engineer who reports a problem
Influencer	Shapes the choice with advice	A colleague who owns the model; a reviewer	Consultants; the technical team
Decider	Makes the final call	The parents, together	The business head or a purchase committee
Buyer	Carries out the purchase	Whoever signs at the dealership	The procurement department
User	Uses the product	The whole family	The operations team

This extends the customer-versus-consumer distinction of Section 0.05, and it is what the healthcare-equipment maker of Section 3.07 discovered: nurses drove the decision in one segment and administrators in the other. A message aimed only at the person who pays misses the people who actually steer the decision.

GOOD TO KNOW - NEEDS COME IN LAYERS

Maslow's hierarchy arranges human needs in five layers - physiological, safety, social (belonging), esteem and self-actualisation - and suggests people attend to the higher layers once the lower ones are reasonably met. For a marketer its use is simple: the same product can be sold on different layers. A car is transport (a basic need), airbags (safety), a family outing (belonging) or a badge (esteem). The Tata Nano was offered as transport to buyers who were shopping for esteem (Section 0.12).

MANAGER'S TAKEAWAY

Map the stages and the roles for your own customer before writing a plan. A product company should know where its buyers search and what puts a brand into, or out of, the consideration set. A service firm selling to businesses should list who initiates, influences, decides, buys and uses - and prepare something for each, because the user's complaint and the finance head's question are two different conversations.

6.03 Product: More Than the Thing in the Box

What does a person buying a pressure cooker actually buy? Not aluminium. She buys dal cooked in fifteen minutes instead of an hour. A line the Harvard professor Theodore Levitt made famous says the same about tools: people do not want a quarter-inch drill, they want a quarter-inch hole. A product is best seen as three layers, from the inside out.

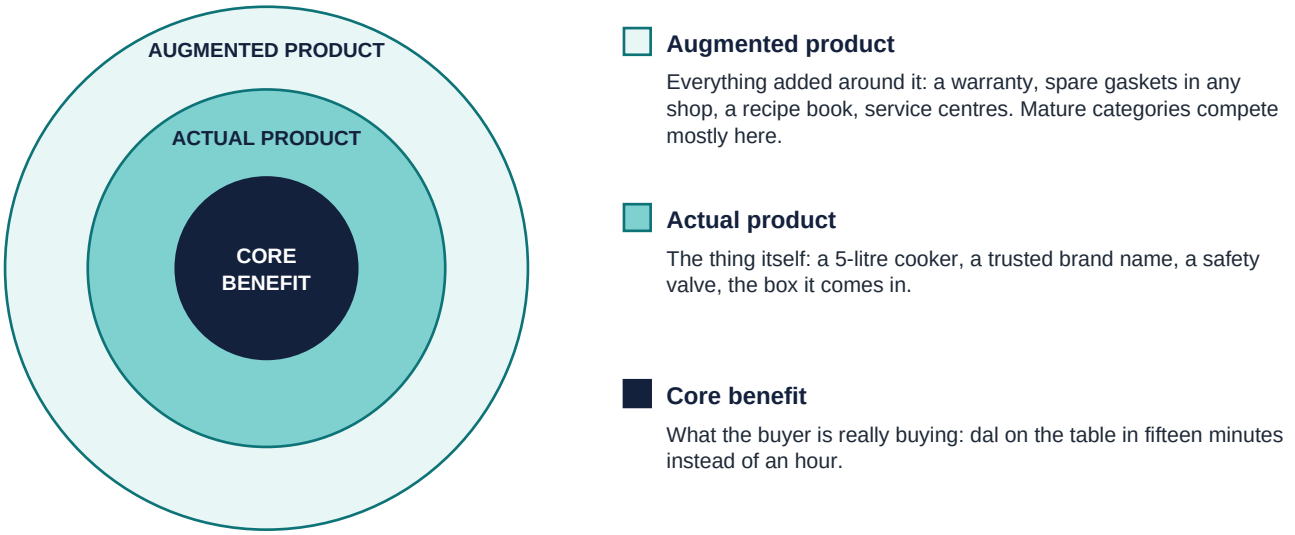


Figure 6.3: The three levels of a product, for a pressure cooker.

Level	What it is	A pressure cooker	A managed service
Core benefit	The problem solved	A meal cooked fast	Confidence that the plant keeps running
Actual product	The thing itself: features, design, quality, brand name, packaging	A 5-litre cooker, a trusted name, a safety valve	Monitoring, reports, response times, the provider's name
Augmented product	Everything added around it	Warranty, spares in any shop, a recipe book, service centres	Onboarding, training, a named account manager, a quarterly review

In mature categories competition happens mostly at the outer layer: when all cookers cook, spares and service decide. That is the life cycle's advice for maturity - augment the product (Section 0.15). But the layers are built from the inside out. No outer layer rescues a product that misses the core benefit the buyer wanted, which is one way to read the small cooler of Section 2.06.

> **GOOD TO KNOW - THREE LEVELS OR FIVE**
>
> Kotler's fuller version has five levels: core benefit, basic product, expected product, augmented product and potential product (everything it might become). The three-level version is the one most managers use.

The product mix

Few companies sell one product. A **product line** is a group of closely related products; the **product mix** is all the lines a company sells. It is described by four dimensions.

Dimension	What it measures	A dairy brand
Width	The number of product lines	Milk, butter, cheese, ice cream, chocolate
Length	The total number of items across all lines	Every pack and variant, counted
Depth	The variants within one line	Butter in 100 g and 500 g, salted, unsalted, garlic
Consistency	How closely the lines are related	All dairy: the same buyers, the same cold chain

These words connect to Session 5. A line extension adds depth; a category extension adds width (Section 5.07); brand portfolio rationalisation trims length (Section 5.12).

How new products spread

A new product is not adopted by everyone at once. Think of how paying by phone spread: first the technology enthusiasts, then the shopkeepers who saw customers asking for it, and finally the vegetable vendor with a QR code taped to his cart. Everett Rogers described this pattern as the **diffusion of innovations**.

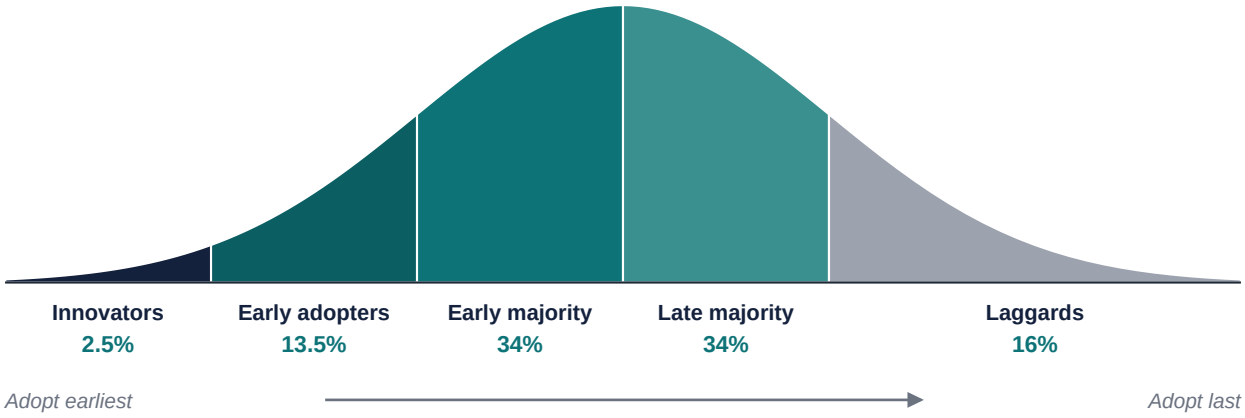


Figure 6.4: Adopter categories. The early market and the mass market are different people wanting different things.

Innovators will try anything new. Early adopters are the opinion leaders others watch. The early majority wait for proof; the late majority adopt once the product is the norm; laggards come last. The early buyers forgive rough edges for the sake of novelty, while the majority want proof, ease and a fair price - so the marketing that wins the first group rarely wins the second. This sits underneath the product life cycle (Section 0.15): introduction is innovators and early adopters; growth is the early majority arriving.

MANAGER'S TAKEAWAY

Describe your offer at all three levels before you describe its features. A product company should compete on the augmented layer only once the core benefit is right, and change its message as it moves from early adopters to the majority. A service firm's actual product is invisible, so the augmented layer - the reports, the reviews, the people the client meets - often is the product in the client's eyes.

6.04 Price: The Only P That Earns

Product, place and promotion all cost money. Price is the only element of the marketing mix that brings money in, and it is also the quickest to change. That is reason enough not to set it by adding a margin to cost and moving on. Session 0's opening exercise produced a dozen factors that bear on the price of a new phone (Section 0.04). They reduce to three.

THE THREE CS OF PRICING

Costs set the floor: below them, every unit sold loses money.

Customers' perceived value sets the ceiling: above it, nobody buys.

Competitors' prices - and the prices of substitutes - mark the reference points in between. Pricing is the choice of a point between the floor and the ceiling.

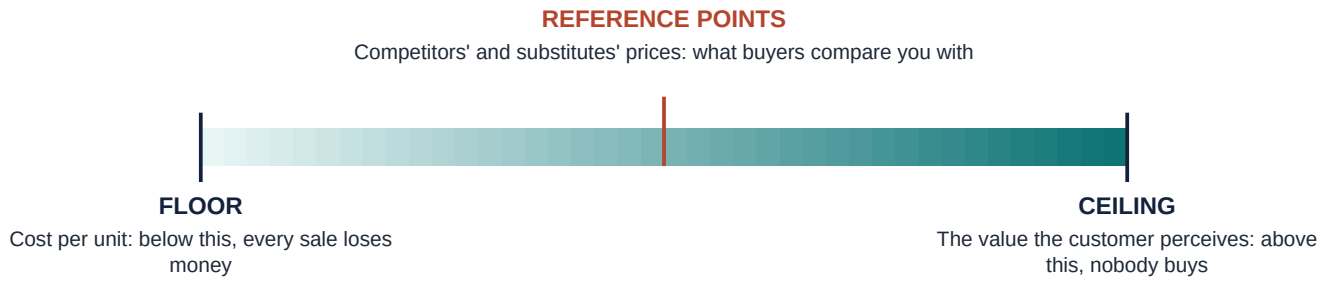


Figure 6.5: Every price sits somewhere between cost and perceived value.

Method	How the price is set	Good for	Its weakness
Cost-plus (markup)	Unit cost plus a standard margin	Simplicity; common in retail and in contracts	Ignores what customers will pay and what rivals charge
Target-return	The price that gives a target return on investment at an expected volume	Capital-heavy businesses	Rests on a volume forecast that the price itself changes
Value-based	Start from the value the customer perceives, then design the cost to fit	Differentiated products; business markets where savings can be shown	Needs research into customer value
Competition-based (going rate)	At, above or below rivals' prices	Commodities; tenders	Follows the market; margins can vanish

The class had already met the strategic choices that sit on top of these methods: skimming versus penetration for a new product (Section 2.10); psychological pricing - anchors, charm prices, price as a signal of quality (Sections 1.04 and 1.11); and charging two segments differently for the same product (Section 4.01). Two more are worth knowing. **Bundling** sells several items together for less than their separate prices, as a thali does. **Dynamic pricing** moves the price with demand, as air fares and cab fares do.

Two numbers every pricing decision needs

Break-even volume. A chai stall pays Rs. 12,000 a month in rent and wages whether it sells one cup or a thousand: these are fixed costs. Each cup costs Rs. 4 in milk, tea, sugar and the cup itself - the variable cost - and sells at Rs. 10. Every cup therefore contributes Rs. 6 towards the fixed costs, and the stall must sell 12,000 / 6 = 2,000 cups a month, about 67 a day, before it earns anything. That Rs. 6 is the **contribution** per unit, the same idea the professor used for deciding which brands to keep (Section 5.12).

BREAK-EVEN

Break-even volume = fixed costs / (price - variable cost per unit)

Price elasticity. Suppose the stall sells 2,600 cups a month at Rs. 10: a profit of 2,600 x 6 - 12,000 = Rs. 3,600. It raises the price to Rs. 12, a rise of 20%, and sales fall to 2,200 cups, a fall of about 15%. Profit is now 2,200 x 8 - 12,000 = Rs. 5,600. The price rise paid because demand was not very sensitive to price. That sensitivity is the **price elasticity of demand**: the percentage change in quantity divided by the percentage change in price - here 15 / 20, or about 0.8. Below 1, demand is inelastic and a higher price raises revenue; above 1, it is elastic and a higher price lowers revenue.

Demand is less elastic when a product is differentiated, hard to compare, or a small part of the buyer's budget. That is what brand building buys (Session 5): room to charge more without losing the customer.

CONCEPT TRAP: COST-PLUS FEELS SAFE AND IS NOT

Cost tells you the least you must charge, never the most you could. A product that saves its buyer a lakh of rupees a year, priced at cost plus twenty per cent, gives most of its value away. And remember that a price cut is the easiest move for a rival to copy: it often ends with the same market shares at lower margins for everyone.

MANAGER'S TAKEAWAY

Find the ceiling before you look at the floor. A product company should research what the benefit is worth to the customer and know its break-even volume before approving any promotion. A service firm should price on the value delivered - downtime avoided, risk reduced - rather than on hours spent, and offer tiers so that buyers can choose their own point between floor and ceiling (Section 1.09).

6.05 Place: Getting to the Customer

A biscuit baked in a factory in one state reaches a kirana shop in a village a thousand kilometres away within days, is sold one packet at a time, and often on credit. No manufacturer could do that alone. The organisations that carry a product from maker to buyer are its **marketing channel** - the collaborators of Session 0 (Section 0.05).

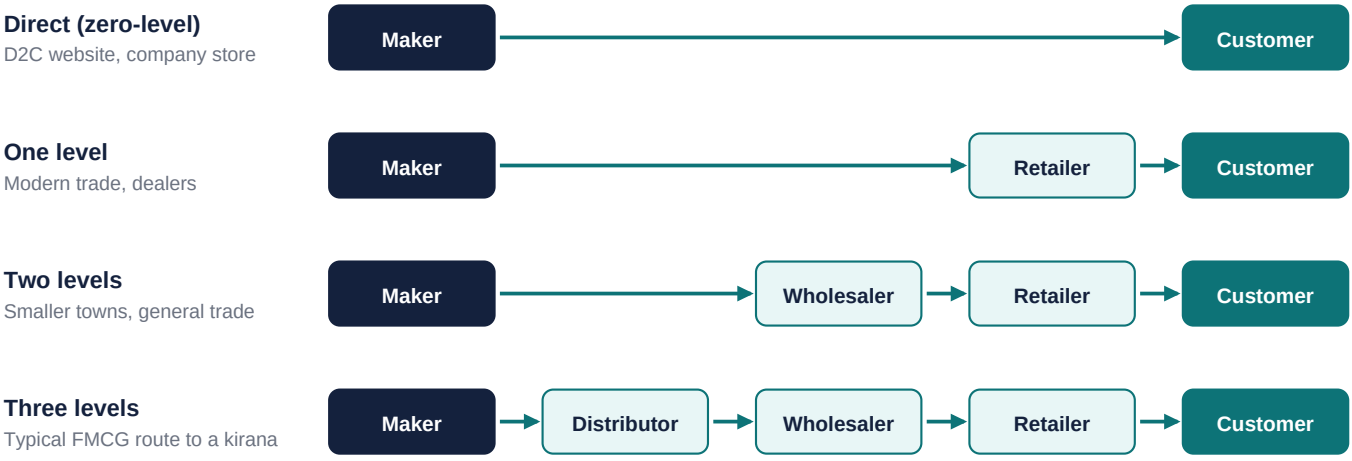


Figure 6.6: Channel levels. Each level adds reach, and a margin.

Intermediaries exist because they do things a maker cannot do cheaply: reach lakhs of outlets, break a truckload into packets, offer the shopper many makers' goods in one place, extend credit, and know the local market. Each takes a margin for it - which is why a decision about Place changes the Price (Section 0.04).

How widely to distribute

Intensity	What it means	Suits	Seen in these notes
Intensive	Every possible outlet	Low-priced, frequently bought and impulse goods	The candy that must be on every counter (2.12); Samsung's phones (0.11)
Selective	A few chosen outlets in each area	Goods that need display, advice or service	Appliances; branded apparel
Exclusive	One or very few outlets, tightly controlled	Luxury and high-service goods	Apple's controlled outlets (0.11); a separate premium channel (4.08)

The choice is not a matter of taste. It follows from the positioning, as Section 0.11 showed: narrow distribution protects a premium experience, and wide distribution is what a mass position requires.

Push and pull, again

Session 0 used push and pull to contrast the selling concept with the marketing concept (Section 0.02). The same words name two ways of moving goods through a channel. A **push strategy** spends on the channel - trade margins, dealer schemes, a sales force - so that the channel pushes the product to buyers. A **pull strategy** spends on the buyer - advertising and brand building - so that buyers ask for the product and the channel has to stock it. Most firms use both. Push dominates where products are complex or unbranded; pull dominates for strong brands in low-involvement categories.

Channel conflict and the online question

When a brand sells online for less than its dealers can, or opens its own store beside its distributor, the channel feels betrayed. This is **channel conflict**. The usual remedies are separate products or packs for separate channels, one price everywhere (the carmaker of Section 0.04 took over pricing for exactly this reason), and clear rules about who serves whom. Buyers, meanwhile, expect to discover a product in one place, buy it in another and return it to a third, and to be treated as one customer throughout - what the trade calls **omnichannel** retailing.

MANAGER'S TAKEAWAY

Choose channels after positioning, and budget for keeping them motivated. A product company should decide how intensively to distribute by asking where its target customer expects to find it. A service firm has channels too - its own sales team, partners, resellers, its website - and faces the same choices: sell direct to large accounts, use partners for reach, and settle in advance who owns which client.

6.06 Promotion: The Communication Mix

Twice in class the professor corrected the idea that promotion means advertising (Sections 0.03 and 3.05). Promotion is everything a firm does to communicate with its market, and it has five main tools.

Tool	What it is	Its strength	Its limit
Advertising	Paid, non-personal messages in mass or digital media	Reach; builds an image over time	Costly; easy to ignore
Sales promotion	Short-term incentives: discounts, bonus packs, coupons, contests, dealer schemes	A fast lift in sales	Trains buyers to wait for offers (5.05)
Public relations and publicity	Earning favourable coverage; managing reputation and crises	Credible, because it is not paid for	Cannot be controlled (the Nano, 0.12)
Personal selling	Face-to-face persuasion and relationship building	Tailored; closes complex sales	The most expensive per contact
Direct and digital marketing	Messages to identified individuals: email, apps, search, social media	Targeted and measurable	Intrusive if overdone

Behind all five stands the one channel no firm can buy: word of mouth, which is how a candy became a national success before its first television advertisement (Section 2.10).

From stranger to buyer: AIDA

A message has to move a person through stages before anything is bought. The oldest model of those stages is **AIDA**: attention, interest, desire, action.

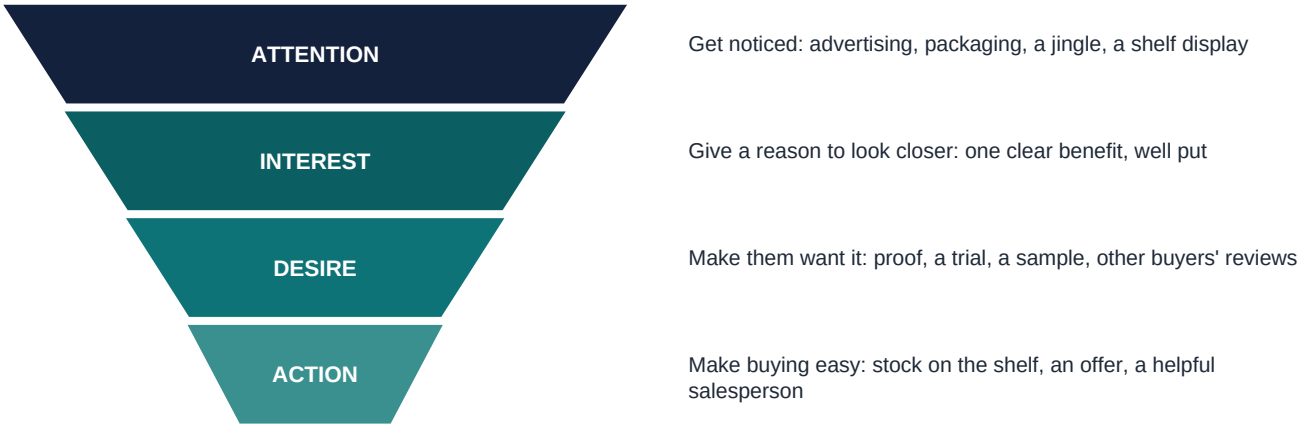


Figure 6.7: The AIDA model. Fewer people reach each stage, so the picture narrows.

A fuller version, the **hierarchy of effects**, has six steps: awareness, knowledge, liking, preference, conviction, purchase. The use of either model is the same: find the stage at which your target customers are stuck, and set the objective of the communication accordingly. Session 0 made this point through the life cycle: at introduction the job is awareness, and after that it is liking and preference - the step the deodorant leader's attention-grabbing advertisements never took (Section 0.15).

One voice, and a budget

Integrated marketing communications means that every tool says the same thing. The positioning statement of Section 4.09 is the brief that keeps them together. Media are often sorted into **paid** (advertising you buy), **owned** (your packs, stores, website) and **earned** (press coverage, reviews, shares).

Budget method	The rule	The catch
Affordable	Spend what can be spared	Ignores the task to be done
Percentage of sales	A fixed share of revenue	Cuts spending exactly when sales fall
Competitive parity	Match what rivals spend	Assumes rivals know better
Objective and task	Set the objective, list the tasks needed, cost them	The logical method; needs homework

MANAGER'S TAKEAWAY

Pick the tool for the stage. A product company in an impulse category needs advertising for attention and display for action; one selling a considered purchase needs trials and proof for desire. A service firm lives on personal selling and reputation: case studies and referrals are its advertising, and a rehearsed plan for the bad day is its public relations (Section 1.07).

6.07 Services: Selling What Cannot Be Seen

A haircut cannot be inspected before you buy it. It is made while you sit there. It depends on who is holding the scissors that day. And the chair that stood empty at three o'clock cannot be sold at six. Those four observations are the theory of services.

Characteristic	What it means	The problem it creates	What good firms do
Intangibility	Cannot be seen, touched or tried before buying	Buyers feel risk and judge by clues	Make it tangible: clean premises, uniforms, certificates, reports, guarantees
Inseparability	Produced and consumed at the same moment, with the customer present	The employee is the service	Hire and train front-line people with care; design the customer's part too
Variability	Quality depends on who delivers it, when and where	An uneven experience	Standard processes, checklists, measurement
Perishability	Cannot be stored	Idle capacity is lost for ever; peaks create queues	Shape demand (off-peak prices, bookings) and flex supply (part-time staff)

Because of these four, the marketing mix for a service is extended from four Ps to seven, as Section 0.09 noted: **People**, the staff the customer meets; **Process**, the steps by which the service is delivered; and **Physical evidence**, everything visible that signals quality.

What customers mean by quality

Research on service quality by Parasuraman, Zeithaml and Berry, known as SERVQUAL, found that customers judge a service on five dimensions. The first letters spell RATER.

Dimension	What it means	An airline	A managed service
Reliability	Doing what was promised, dependably and accurately	Leaves and arrives on time	Every alert handled within the agreed time
Assurance	Knowledge and courtesy that inspire trust	A calm, competent crew	Certified analysts who can explain what they found
Tangibles	The physical evidence	A clean aircraft; a clear app	Clear dashboards and reports
Empathy	Caring, individual attention	Help for a passenger travelling with a child	Knowing each client's plant and priorities
Responsiveness	Willingness to help promptly	Quick rebooking after a cancellation	A human answer within minutes during an incident

Reliability regularly comes out as the most important of the five. Customers arrive at their judgement by comparing what they **expected** with what they **perceived**; the difference is the service-quality gap, so managing expectations is half the job. The theme park that posts a thirty-minute wait and delivers twenty-five is

managing expectations (Section 1.04). And when a service fails, how it is put right matters enormously: the research the professor cited in Session 1, in which a failure handled well lifted a brand above its earlier rating (Section 1.07), is known as the **service recovery paradox**.

CONCEPT TRAP: DO NOT RELY ON THE RECOVERY PARADOX

The effect is real but fragile. It appears after a first, modest failure that is fixed quickly and generously. Repeated failures destroy trust however well each is handled. Reliability comes first; recovery is the safety net.

MANAGER'S TAKEAWAY

Make the invisible visible and the variable consistent. A product company increasingly sells service around its product - installation, repair, advice - and should run it on the same five dimensions. A service firm should write down what it promises, measure reliability before anything else, turn its work into evidence the client can see, and treat its front-line people as the product.

6.08 Reading an Industry: Five Forces and Generic Strategies

SWOT looks at one firm (Section 3.10). A different question is why a whole industry earns well or badly - why branded consumer goods make comfortable margins year after year while airlines struggle. Michael Porter's answer is that five forces share out the profit of an industry.

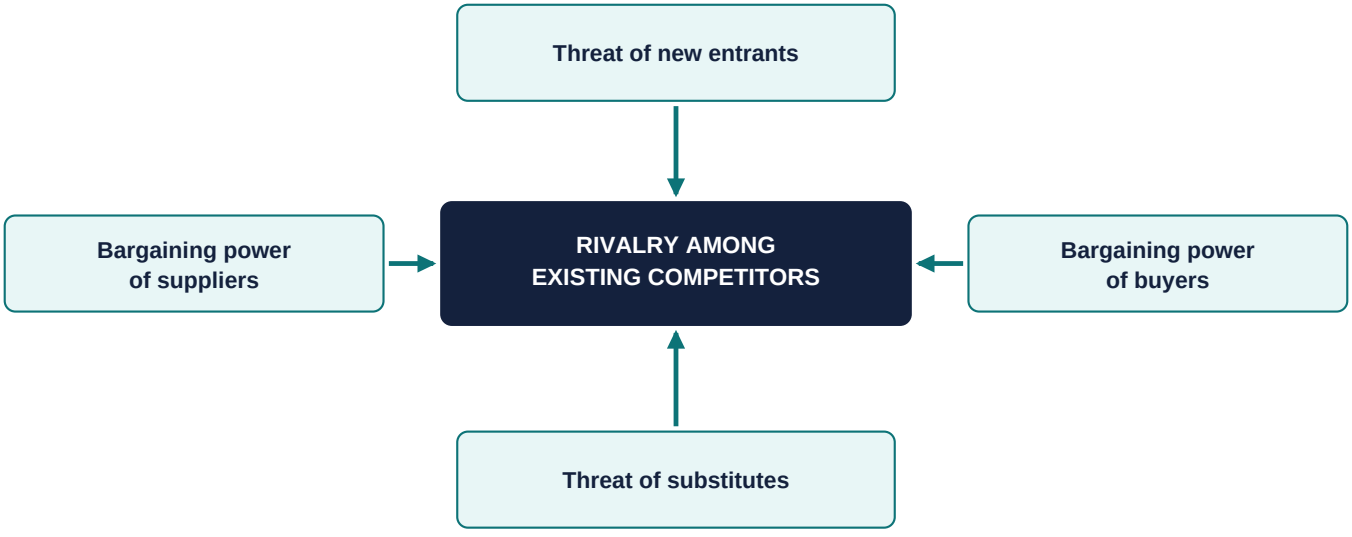


Figure 6.8: Porter's five forces. The stronger they are, the lower the industry's profit.

Force	The question	Strong when	Seen in these notes
Rivalry among existing competitors	How hard do firms fight each other?	Many similar firms; slow growth; high fixed costs	A category crowded with me-too brands (0.14)
Threat of new entrants	How easy is it to come in?	Little capital needed; no patents; open distribution	A candy copied within months (2.12)
Threat of substitutes	What else does the same job?	Substitutes are cheap and close	Cereal against poha and idli (0.07); film against digital (5.05)
Bargaining power of buyers	Can customers force prices down?	A few large buyers; easy switching	Retailers and their store brands (5.11)
Bargaining power of suppliers	Can suppliers force prices up?	A few suppliers; no alternative	A sole supplier of a key component

The competitors and collaborators of the 5Cs cover the same ground more simply; the five forces add the discipline of asking who holds the power.

Three ways to win

Porter also argued that there are only three **generic strategies** for earning more than the industry average.

Strategy	How it wins	Example	Its risk
Cost leadership	The lowest cost in the industry, so it can price low and still profit	A no-frills airline; a low-price retail chain	A rival becomes cheaper still; quality slips
Differentiation	Something buyers value and will pay more for	The premium phone and motorcycle brands of Session 5	The difference is copied, or stops mattering
Focus	Serves one narrow segment better than broad players, on cost or on difference	A strong regional brand; a specialist firm	The niche is too small, or a large player enters it

The danger Porter warned of is being **stuck in the middle**: neither the cheapest nor different. It is the strategic version of the class's lesson on mass versus niche positioning (Section 4.12) - a brand that spoke to everyone while priced for a few.

MANAGER'S TAKEAWAY

Before planning against rivals, ask where the power lies. A product company whose retailers hold the power must build a brand customers ask for by name. A service firm should choose openly between being the low-cost provider and being the specialist, because the hiring, pricing and selling that suit one undermine the other.

6.09 Managing a Portfolio: The BCG Matrix

A company with many products has to decide where to put its money. The Boston Consulting Group's growth-share matrix sorts products with two questions. Is the market growing fast? And is our share large compared with our biggest competitor's?



Figure 6.9: The BCG growth-share matrix.

Cell	Growth / share	What it is	The usual advice
Star	High / high	A leader in a growing market: earns well but needs investment	Invest to keep the lead
Cash cow	Low / high	A leader in a mature market: produces more cash than it needs	Protect it; use its cash elsewhere
Question mark	High / low	A small player in a growing market: consumes cash	Choose: invest to make it a star, or get out
Dog	Low / low	A small player in a mature market	Harvest or divest, unless it serves another purpose

The logic is a cycle of cash. Cash cows fund the question marks worth backing; those that succeed become stars; and stars turn into cash cows when their markets mature, as the life cycle predicts (Section 0.15).

CONCEPT TRAP: A BOX IS NOT A VERDICT

Share and growth are not the only things that matter, and the answer changes with how "the market" is defined. A so-called dog may be a strong regional brand, or may still contribute to fixed costs - the two reasons the professor gave for keeping some small brands (Section 5.12). Use the matrix to start the discussion, not to end it.

Three tools now sit side by side. The **Ansoff matrix** asks where to grow next (Section 2.13). The **BCG matrix** asks how to share money among what you already have. **Portfolio rationalisation** is the same question asked brand by brand (Section 5.12).

MANAGER'S TAKEAWAY

Know which of your offerings pay for the others. A product company should fund tomorrow's products from today's cash cows without starving the cows. A service firm should do the same with its service lines: the steady, mature contract base pays for the new practice, and the new practice must be given a date by which it becomes a star or is closed.

6.10 Brand Equity: How Strong Brands Are Built

Session 5 showed what strong brands do. **Brand equity** is the name for that strength. Kevin Keller defines it as the difference that knowing the brand makes to how customers respond to its marketing. The blind beer test of Section 5.04 is that definition run as an experiment: the same liquids, a different response once the names were visible. When equity is positive, customers pay more, forgive more and try the brand's new products sooner.

Keller's **customer-based brand equity** model says a strong brand is built like a house, one floor at a time. Each floor answers a question the customer silently asks.

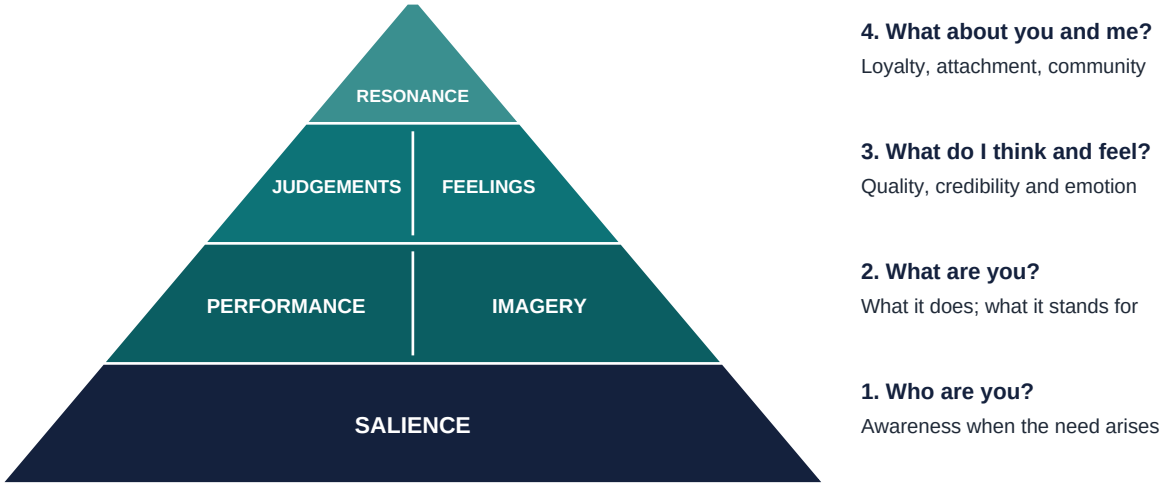


Figure 6.10: Keller's brand equity pyramid. Each level rests on the one below.

Level	The customer's question	What has to be built	Seen in these notes
1. Salience	Who are you?	Awareness deep and wide enough that the brand comes to mind when the need arises	Recall in impulse categories (1.07); good phones nobody noticed (0.01)
2. Performance and imagery	What are you?	What the product does, and what the brand stands for	Points of parity and of difference (4.05)
3. Judgements and feelings	What do I think and feel about you?	Opinions of quality and credibility; the emotions the brand evokes	Trust that survived a recall (5.04)
4. Resonance	What about you and me?	Loyalty, attachment, a sense of community, active engagement	Owners who ride together and wear the logo (5.02)

The left side of the pyramid - performance and judgements - is the rational route to the top; the right side - imagery and feelings - is the emotional one. The strongest brands climb both. And no floor can be skipped: resonance cannot be advertised into existence on top of a product that does not perform.

The building blocks: brand elements

A name, a logo, a symbol, a character, a slogan, a jingle, a pack: these are **brand elements**. Section 5.06 gave examples of each breaking the clutter - a blue tin, a butter girl, a detergent jingle. Keller offers six tests for choosing them. Three build equity: an element should be **memorable**, **meaningful** and **likeable**. Three defend it: it should be **transferable** to new products and countries, **adaptable** over time, and **protectable** in law. A name with "oil" in it stopped being adaptable when oil stopped sounding like good skincare (Section 5.05); a name that means energy does not transfer to a drink meant for everyone (Section 4.12).

> **GOOD TO KNOW - A SECOND LENS**
>
> David Aaker describes brand equity as a set of assets: **brand awareness**, **perceived quality**, **brand associations** and **brand loyalty**, along with legal assets such as trademarks. The two models describe the same thing from two sides - Keller from inside the customer's head, Aaker from the company's balance sheet.

> **MANAGER'S TAKEAWAY**
>
> **Ask which floor your brand has reached, and build the next one. A product company with awareness but no clear meaning should fix meaning before spending more on awareness. A service firm usually builds from the rational side - proven performance, then judgements of credibility - and reaches resonance when clients start recommending it without being asked.**

6.11 Measuring Marketing

Session 0 was firm that research and tracking are inputs to decisions, not decisions (Section 0.08). These are the standard inputs - the numbers a marketing review usually runs on.

Metric	How it is worked out	What it tells you
Market share	Your sales / total market sales, in units or in value	Your position against rivals. A value share above the unit share means you sell at a premium
Relative market share	Your share / your largest competitor's share	Above 1, you lead (the BCG axis)
Penetration	Buyers of your brand / the target population	The room left among non-users (4.07)
Share of wallet	A customer's spending with you / that customer's total spending in the category	The room left within existing customers
Customer acquisition cost (CAC)	Sales and marketing spend / new customers won	What a new customer costs - the AC of Section 0.18
Retention and churn rate	Customers kept, or lost, in a period / customers at its start	Loyalty. The two add up to 100% (0.18)
Customer lifetime value (CLV)	Discounted margins, weighted by the chance of staying, less acquisition cost	What a customer is worth (0.18)
Net Promoter Score (NPS)	% who would recommend you (9 or 10 out of 10) minus % who would not (0 to 6)	The word of mouth to expect
Conversion rate	Buyers / visitors or enquiries	How well the last step works
Return on marketing investment	(Extra margin earned - marketing spend) / marketing spend	Whether a campaign paid for itself

The numbers talk to each other. Take the customer of Section 0.18, who cost Rs. 1,500 to win and was worth only Rs. 164 after that cost: barely worth acquiring. Raise retention from 80% to 90% and the same customer is worth about Rs. 1,000. Before spending more on acquisition, a firm should ask whether the cheaper rupee lies in retention.

CONCEPT TRAP: A METRIC NEEDS A DENOMINATOR AND A BENCHMARK

"We won 2,000 customers" says nothing until you know what they cost, how many left, and how many rivals won. The professor's question from the first case discussion applies to every number in a review: bad - or good - compared with what? (Section 1.12)

MANAGER'S TAKEAWAY

Choose a handful of metrics that follow the customer from first contact to renewal. A product company should watch share and penetration alongside repeat purchase. A service firm should watch retention, share of wallet and willingness to recommend - and be wary of activity counts that rise while these three fall.

6.12 Marketing in a Digital World

The owner of a good kirana shop knows every customer: who buys what, who is owed a reminder, who will try the new biscuit. Digital tools let a firm with a crore of customers do, by data, what the shopkeeper does by memory. None of the ideas in this book changes online. What changes is the cost and the speed.

What digital changes	In practice	The class idea behind it
Finding customers	Search reaches people at the moment of need; social media reaches them by interest and behaviour	Behavioural segmentation with data (3.06)
Tailoring	Different messages and offers for different people	Effectiveness against efficiency: tailoring became cheaper (3.03)
Testing	Two versions shown to live customers, and the better one kept	Experiments over opinions (2.08)
Word of mouth	Reviews, ratings, shares and influencers	The actual position forms in public (0.12, 4.07)
Selling	Marketplaces, direct-to-consumer sites, rapid delivery	Place changing Price (0.04)
Measuring	Clicks, conversions, acquisition cost and value, customer by customer	Lifetime value became calculable (0.17)

Two cautions. **Performance marketing** - paying for clicks and immediate sales - is measurable and quick; brand building is neither. That is the cash challenge of Section 5.05 in modern clothes: it is easy to overspend on what can be counted this week and starve what pays over a decade. And data about people has to be used with their consent and with care. Personalisation that feels like surveillance costs more trust than it earns.

MANAGER'S TAKEAWAY

Use digital tools to do the fundamentals better, not to skip them. A product company still needs a position before it needs a campaign. A service firm's website, webinars and published research are its owned media: they should show the expertise the positioning claims, not just collect enquiries.

6.13 The Whole Toolkit on One Page

Frameworks are easiest to remember by the question each one answers. This table covers the book - the tools taught in class and those added in this part.

If the question is...	Reach for	Section
What is going on around us, and where do we stand?	The 5Cs, PESTLE and SWOT	0.05, 0.06, 3.10
Why is this industry profitable, or not?	Porter's five forces	6.08
How do our customers decide?	The buying process and roles; heuristics; involvement	6.02, Session 1, 2.11
How do we find out what customers want?	Research methods: what people say and what they do	2.03
How should we divide the market, and whom should we serve?	Segmentation bases; cluster analysis; attractiveness and compatibility	3.04, 3.08, 3.10
What should we stand for?	Positioning: perceptual maps, parity and difference, the statement	4.03 to 4.09
Where should we grow, and where should the money go?	The Ansoff matrix; the BCG matrix; portfolio rationalisation	2.13, 6.09, 5.12
How do we compete?	Generic strategies; mass or niche	6.08, 4.12
What exactly do we offer?	Product levels; the life cycle; brand extension	6.03, 0.15, 5.07
What should we charge?	The three Cs of pricing; break-even; skimming or penetration	6.04, 2.10
How do we reach buyers?	Channels; distribution intensity; push and pull	6.05
What do we say, and how?	The communication mix; AIDA; framing	6.06, 1.05
How do we deliver a service well?	The 7Ps; the five dimensions of service quality	6.07
How strong is our brand?	The brand equity pyramid; the four challenges	6.10, 5.05
What is a customer worth?	Lifetime value; retention; acquisition cost	0.18, 6.11

THE FUNDAMENTALS IN ONE SENTENCE

Understand the customer better than the customer can put into words; choose whom to serve and what to stand for; make the product, the price, the place and the promotion all agree with that choice; and keep earning the customer back.

AFTER THE FIVE SESSIONS

Mixed Question Bank

120 more questions drawn from Sessions 0 to 5 and shuffled together, the way an exam mixes them. None repeats a question already asked after a session, and each answer names the section to go back to.

Twenty questions from each session | Class material only

7.01 Questions from Across the Module

The questions after each session came in the order the ideas were taught. These do not: a question on brand extension may follow one on anchoring, as in an exam. Twenty are drawn from each session, none of them used earlier in this book, and none from Part 6. The bracket at the end of each answer names the section to revise if you got it wrong.

Q1. "Positioning is not what you do to a product; it is what you do to the mind of the prospect." This line is from:
(a) Peter Drucker
(b) Daniel Kahneman
(c) Ries and Trout
(d) Neil McElroy

Answer: (c) - Positioning is the image, not the advertising that creates it. [Section 4.02]

Q2. How does behaviour differ from psychographics as a basis of segmentation?
(a) Behaviour is how a person acts within this product category; psychographics describe the person's wider lifestyle
(b) Behaviour describes the person's wider lifestyle; psychographics are how the person acts within this category
(c) Behaviour is measured by income and occupation; psychographics by age and where the person lives
(d) They are two names for the same base, one used for consumer markets and one for business markets

Answer: (a) - A party-goer is a lifestyle; brushing twice a day is behaviour in the category. [Section 3.04]

Q3. In the multiplex popcorn example - small about Rs. 600, medium about Rs. 750, large about Rs. 800 - which tub is the decoy?
(a) The small
(b) The large
(c) None; all three are meant to sell
(d) The medium

Answer: (d) - It costs nearly as much as the large and gives much less, so the large looks obvious. [Section 1.09]

Q4. Fast fashion was the professor's example of a category where:
(a) Life cycles are so short that long research is not possible
(b) Research can take as long as it needs, since designs last for years
(c) Designs are protected by law, so nobody is able to copy them
(d) Customers' tastes change so slowly that research is not needed

Answer: (a) - A design seen on the runway is in the stores within days. [Section 2.09]

Q5. In the Snickers positioning statement, the point of difference is that it:
(a) Tastes better than other candy bars
(b) Satisfies your hunger
(c) Costs less than a meal
(d) Is packed with peanuts

Answer: (b) - Peanuts are the reason to believe; hunger is the difference. [Section 4.09]

Q6. According to its launch communication, the Tata Nano's intended target was:
(a) Existing car owners in big cities looking for a cheap second car for short trips
(b) College students and young professionals wanting a sporty, stylish first car
(c) Taxi and fleet operators who needed the lowest running cost per kilometre
(d) Families without a car - two-wheeler owners in smaller towns moving up to four wheels

Answer: (d) - The intended positioning is read from the company's own advertising. [Section 0.12]

Q7. A participant defined positioning as "placement". The professor pointed out that placement means:
(a) The same thing as positioning - the two words can be used interchangeably
(b) The choice of which segment to serve, which is properly called targeting
(c) Shelf placement, or product placement in films - each a technical term of its own
(d) The price band in which a product is placed relative to its competitors

Answer: (c) - Positioning is the image in the customer's mind. [Section 5.01]

Q8. Besides the brand's "people's car" image, what else hurt Volkswagen's Phaeton?
(a) It was sold from the same showrooms as Volkswagen's cheaper cars
(b) It lacked the features that rival ultra-luxury cars already offered
(c) It was priced far above its rivals, with no finance on offer
(d) It was never advertised, so buyers did not know that it existed

Answer: (a) - An ultra-luxury buyer expects to be treated differently. [Section 4.08]

Q9. As told in class, about 80% of The Economist's readers chose web only before a print-only option was added. Afterwards, about:
(a) 80% still chose web only
(b) 50% chose print only
(c) 90% chose web-plus-print
(d) 70% chose web-plus-print

Answer: (d) - Print only at the same $125 made web-plus-print look like a free gift. [Section 1.09]

Q10. A toothpaste maker urging people to brush twice a day is using which growth strategy?
(a) Product development
(b) Market penetration
(c) Market development
(d) Diversification

Answer: (b) - More usage of the existing product by the existing market. [Section 2.13]

Q11. How many segments did the professor suggest a cluster analysis should usually end with?
(a) One or two
(b) Eight to ten
(c) Three or four
(d) As many as there are respondents

Answer: (c) - Beyond five, segments become small and strategies too many to be efficient. [Section 3.08]

Q12. Which Madura Garments brand was aimed at smart-casual workplaces and introduced the idea of Friday dressing?
(a) Allen Solly
(b) Peter England
(c) Van Heusen
(d) Louis Philippe

Answer: (a) - The four brands are separated by occupation and career stage. [Section 3.11]

Q13. The bank advertisement shown in class asked viewers to see a savings rate of 6% against 4% as:
(a) 2% more, not 50% extra
(b) 50% extra, not 2% more
(c) A loss of 4%
(d) A discount of 33%

Answer: (b) - The same difference, reframed to look larger. [Section 1.06]

Q14. Marketers lean heavily on behavioural segmentation today mainly because:
(a) Behaviour is the easiest thing to see in a shop
(b) It needs no data at all
(c) Regulators require it
(d) Firms are sitting on large amounts of customer data

Answer: (d) - Demographics are popular because they are visible; behaviour because the data exist. [Section 3.06]

Q15. Your brand's sales have flattened while the category is still growing. According to the class, you should:
(a) Assume the product has matured and launch a replacement at once
(b) Withdraw the product before its decline starts to hurt the brand
(c) Diagnose your own strategy - the problem is the brand, not the life cycle
(d) Cut advertising to protect margins until the category stops growing

Answer: (c) - The life cycle applies best at the sub-category level, not to a single brand's mistakes. [Section 3.13]

Q16. Mirrors in clothing stores and screens beside a billing queue apply the lesson of the Houston baggage claim, which is that:
(a) A stated wait becomes an anchor
(b) Occupied time is not felt as waiting time
(c) Buyers prefer gains to reduced losses
(d) Shoppers pick the middle option

Answer: (b) - Time, like money, is booked into separate mental accounts. [Section 1.10]

Q17. Walmart paid about 16 billion dollars for control of a loss-making Flipkart. The professor used this to show that:
(a) The customer base, like the brand, is an intangible asset worth valuing
(b) Loss-making firms are usually overvalued by buyers from abroad
(c) Land, plant and machinery explain most of an online retailer's value
(d) The cost of acquiring customers does not matter in e-commerce

Answer: (a) - If customers are assets, a firm needs a way to value them - hence the interest in CLV. [Section 0.17]

Q18. A hypermarket adds "maximum 4 per customer" to a modest discount on cookies, and shoppers buy more. The limit works as:
(a) A decoy that makes another pack look better
(b) A negative frame
(c) An anchor for how many to buy
(d) A separate mental account

Answer: (c) - The professor bought four; without the line she would have bought two or three. [Section 1.04]

Q19. Which of the following is NOT a measure of segment attractiveness?
(a) The size of the segment and its rate of growth
(b) How much the segment's members use the product
(c) The lifetime value of the segment's customers
(d) The company's strengths relative to competitors

Answer: (d) - That is compatibility: whether we can serve the segment better than rivals can. [Section 3.10]

Q20. Old Spice was mentioned in class as an example of a brand that:
(a) Failed because it segmented by gender and stereotyped its buyers
(b) Must attract younger buyers without alienating its ageing loyal base
(c) Lost its loyal customers by repositioning as a higher-priced brand
(d) Was withdrawn after a recall and never recovered its market share

Answer: (b) - A quieter version of the dilemma that cost two retail chief executives their jobs. [Section 3.14]

Q21. Kellogg's Special K breakfast sandwich did not work because:
(a) Customers could not connect a sausage, egg and cheese sandwich with a weight-loss brand
(b) Rural customers had not seen the new advertising and took the changed pack for a fake
(c) It was sold from the same shelves as the cereal and took sales away from it
(d) Its price was set too low for a brand that customers had come to see as premium

Answer: (a) - Moving far from what the brand stands for usually fails. [Section 4.11]

Q22. In a habitual category, where buyers stay with the taste they are used to, the factor "habit" points towards:
(a) A higher price, to recover R&D
(b) Skipping the test market
(c) Selling only online
(d) A lower price, to win share early

Answer: (d) - Whoever wins the habit first tends to keep it. [Section 2.10]

Q23. A perceptual map shows a marketer two things. They are:
(a) The brand's market share in each segment, and how that share has changed over time
(b) The price each brand charges, and the cost at which each brand is produced
(c) Whether customers see the brand where it was intended, and whether a desirable space is vacant
(d) Which advertisements customers remember, and which of them they liked the most

Answer: (c) - Subway found its vacant space in healthy-and-tasty fast food. [Section 4.03]

Q24. When Maggi returned to the shelves after being withdrawn in 2015, it:
(a) Climbed back quickly to about 60% of the market
(b) Never recovered beyond about 10% of the market
(c) Was relaunched under a new name and a new pack
(d) Lost its lead for good to another noodle brand

Answer: (a) - The brand, not the category, held the trust. [Section 5.04]

Q25. When Harley-Davidson was owned by AMF, what went wrong?
(a) The company stopped making motorcycles and moved into licensed merchandise
(b) Production was pushed up and the Harley name played down, which riders disliked
(c) Advertising was tripled, which made the brand look ordinary to its riders
(d) The owners' club was closed down and the company's dealers were replaced

Answer: (b) - After the buy-back, Harley competed on legacy rather than on Japanese terms. [Section 5.02]

Q26. After Hero launched Pleasure for women in 2006, its share of the scooter market:
(a) Fell from 16.9% to 9.8%
(b) Stayed at about 19%
(c) Rose from 9.8% to 16.9%
(d) Rose from 15% to 85%

Answer: (c) - When that growth flattened, Hero launched Maestro for men. [Section 3.12]

Q27. Sleepy Owl raised the click-through rates of its advertisements by:
(a) Doubling its advertising budget and moving all of it to social media
(b) Hiring a film star whose image matched what the brand wanted to say
(c) Showing a struck-through higher price beside the offer price in every ad
(d) Using the words customers said they valued - low acidity, great aroma, smooth taste

Answer: (d) - Survey answers were turned straight into advertising copy. [Section 2.07]

Q28. Why can a blind taste test mislead a company about a well-loved brand?
(a) Tasters cannot reliably tell a sweeter drink from a less sweet one in small sips
(b) Real buying happens with the brand visible, and knowing the brand changes the answer
(c) Blind tests are always run with too few people to give a result worth trusting
(d) Taste plays almost no part in the choice of a soft drink once the price is known

Answer: (b) - Brand loyalty showed up only when people knew what they were drinking. [Section 2.05]

Q29. People asked to write down the last digits of an unrelated number before pricing a pen quoted higher prices when their digits were higher. This shows that:
(a) People with higher numbers are richer
(b) Pens are bought as luxuries
(c) A loss frame raises prices
(d) Even an irrelevant number can act as an anchor

Answer: (d) - The number had nothing to do with the product, and it still pulled the estimate. [Section 1.03]

Q30. In the US lawsuit over burgers that looked bigger in advertisements than in real life, the court:
(a) Found for the company - a reasonable person understands advertising images
(b) Fined the company and ordered it to withdraw the advertisements
(c) Banned the use of photographs of food in restaurant advertising
(d) Ordered the company to make its burgers match the size shown

Answer: (a) - The buyer is expected to interpret advertising sensibly. [Section 2.08]

Q31. Match the route used to break the clutter: Nivea's blue tin, Amul's butter girl, Nirma's jingle.
(a) Mascot, packaging, logo
(b) Logo, design, packaging
(c) Packaging, mascot, advertising
(d) Advertising, logo, mascot

Answer: (c) - Differentiation does not always need a new technology. [Section 5.06]

Q32. The notes suggest Sleepy Owl's surveys work because they are:
(a) Long, and run once a year
(b) Short, frequent and tied to a specific decision
(c) Sent only to people who have never bought
(d) Handled by an agency in another city

Answer: (b) - Each answer changes something customers can see. [Section 2.07]

Q33. A challenger whose product does not look like the prototype the category leader has established must:
(a) Price well below the leader until customers switch
(b) Withdraw, because a category's prototype cannot change
(c) Spend heavily to make customers see it differently
(d) Adopt a name that sounds like the leader's name

Answer: (c) - Borrowing a category cue is quick; breaking the prototype is costly. [Section 1.08]

Q34. An ethnic-wear brand already sells a small kids' line and decides to expand it. On the Ansoff matrix this is:
(a) Market penetration, because the line already exists
(b) Product development, because kids' wear is a new product
(c) Market development, because children are a new market
(d) Diversification, because product and market are both new

Answer: (a) - Check what already exists before calling something new. [Section 3.15]

Q35. "Every customer touch point is a moment of truth" belongs to which of the four challenges of brand building?
(a) Cash
(b) Clutter
(c) Contemporary
(d) Consistency

Answer: (d) - The brand has to deliver its promise at every contact, for decades. [Section 5.06]

Q36. Why does watching customers at home reveal things that interviews miss?
(a) People stop noticing small nuisances and so never mention them
(b) People deliberately mislead interviewers about what they do
(c) Observation costs far less than interviewing the same people
(d) Interviews can cover only a handful of people at a time

Answer: (a) - P&G's shift was from asking what people want to watching what they do. [Section 2.01]

Q37. "15 of the 19 big banks pass the stress test" and "4 of the 19 big banks fail" illustrate:
(a) Anchoring - the first number seen sets the scale
(b) Framing - the same fact presented as a gain or as a loss
(c) Availability - what is easily recalled feels likely
(d) Representativeness - judging by fit with a stereotype

Answer: (b) - Identical information, two different impressions. [Section 1.05]

Q38. For a hospital known for emergency care opening a cancer unit, the professor leaned towards sub-branding with the parent name prominent because:
(a) A new name is always cheaper
(b) Cancer patients would otherwise go to the emergency ward
(c) Endorser branding is not permitted for hospitals
(d) In services, trust matters even more and takes very long to build

Answer: (d) - The risk to manage is dilution, not cannibalisation. [Section 5.13]

Q39. With a retention rate of 50%, the probability that a customer is still with the firm in year 3 is:
(a) 0.50
(b) 0.125
(c) 0.25
(d) 1.00

Answer: (c) - Survival is r to the power t - 1: 1 in year 1, 0.5 in year 2, 0.25 in year 3. [Section 0.18]

Q40. Rs. 999 reads as "nine hundred-something" and Rs. 1,000 as "a thousand". This is the:
(a) Left-digit effect
(b) Veblen effect
(c) Goldilocks effect
(d) Decoy effect

Answer: (a) - The leftmost digit has the most influence on how a price is read. [Section 1.11]

Q41. A survey is best described as a method that is:
(a) Qualitative, and about what people do
(b) Qualitative, and about what people say
(c) Quantitative, and about what people do
(d) Quantitative, and about what people say

Answer: (d) - Many respondents, measurable answers - but people may not do what they say. [Section 2.03]

Q42. Which of these is repositioning rather than rebranding?
(a) A juice brand redesigning its carton and changing the wording on it
(b) A deodorant brand moving its message from seduction to individuality
(c) A company replacing its old logo with a simpler, more modern one
(d) A retail chain repainting its stores and changing its staff uniforms

Answer: (b) - Repositioning tries to create a new image; rebranding changes the look, the logo or the name. [Section 4.10]

Q43. Each time a participant offered "market research" or "competitor analysis" as a marketing decision, the professor replied that these are:
(a) The most important decisions a marketing manager takes
(b) Decisions that belong to the finance function
(c) Activities that feed decisions - to take what decision?
(d) Part of Place in the 4Ps

Answer: (c) - A plan is a list of choices; research and tracking exist to inform them. [Section 0.08]

Q44. Why did Kimberly-Clark sell adult diapers as Depend rather than as an extension of Huggies?
(a) Adults would not want a brand associated with toddlers
(b) Huggies was losing share and could not support a new product
(c) The law does not allow one name on products for two age groups
(d) A new name is always cheaper to advertise than an existing one

Answer: (a) - Perceived fit, seen from the customer's side. [Section 5.09]

Q45. Within the 4Ps, brand management sits under:
(a) Price
(b) Product
(c) Place
(d) Promotion

Answer: (b) - Services, too, are treated as part of Product. [Section 5.01]

Q46. Where did the pregnancy-test maker place the version meant for the "fearfuls"?
(a) Next to ovulation kits and vitamins
(b) At the pharmacy's billing counter
(c) In the baby-care and nappies aisle
(d) Next to condoms and contraceptives

Answer: (d) - Name, pack and shelf kept the two segments from discovering each other's product. [Section 4.01]

Q47. Neil McElroy's 1931 memo asked for a dedicated team because his brand, Camay, was:
(a) Being copied by a rival company that had launched a similar-looking soap
(b) Sold in only one region and needed a national sales force in order to grow
(c) Competing against P&G's own flagship soap, Ivory, without resources of its own
(d) About to be withdrawn because its sales had been falling for several years

Answer: (c) - The memo is regarded as the birth certificate of brand management. [Section 5.03]

Q48. Research cited in class found that a brand rated 3 out of 5, which falls to 1 after a failure, can end up rated about:
(a) 1, whatever the company does
(b) 4, if the failure is handled well
(c) 3, the same as before
(d) 5, in every case

Answer: (b) - Good after-sales handling can turn a failure into loyalty. [Section 1.07]

Q49. A participant argued that the product must come before STP. The professor's reply was that:
(a) The broad category is a business decision; the specific product decisions follow the segment and positioning
(b) The product always comes first; segmentation and positioning are worked out after the launch
(c) STP and the product are both decided by the production team before marketing is involved
(d) The order makes no difference so long as the price is set before the product is designed

Answer: (a) - Airbags, features and variants have to serve a target that has already been chosen. [Section 0.10]

Q50. Compared with niche positioning, mass positioning usually means:
(a) Lower volume, higher margin and stronger appeal to a few
(b) Higher volume and higher margin, with appeal to everyone
(c) Higher volume, lower margin and weaker appeal to any one group
(d) Lower volume and lower margin, with appeal to a small group

Answer: (c) - Something for everyone becomes very appealing to no one. [Section 4.12]

Q51. The class said Jio stands for free, cheap plans and freedom. The professor used this to argue that:
(a) Jio's name can be extended into any category without risk
(b) Telecom brands cannot be extended beyond telecom services
(c) A brand's associations do not matter in service categories
(d) Those associations would not help a premium education brand

Answer: (d) - Tata's association with trust, by contrast, travels across categories. [Section 5.09]

Q52. The changes Tropicana made in its failed relaunch were:
(a) A new formula with less sugar, in the same familiar carton as before
(b) Cosmetic - the pack, the logo and the claims; the juice was the same
(c) A higher price and a smaller pack, with no change to the design
(d) A move from cartons to bottles, sold through different retailers

Answer: (b) - Shoppers could no longer find the orange they looked for on the shelf. [Section 2.08]

Q53. HMT lost its leadership in watches mainly because:
(a) Titan arrived with quartz technology and HMT did not move in time
(b) It raised its prices sharply and lost the gifting market to imports
(c) Its watches were recalled after a quality failure and never returned
(d) It stopped advertising once it had become the default gift

Answer: (a) - Like Kodak, it had the technology but failed to stay contemporary. [Section 5.05]

Q54. What made the Gillette Guard right for the Indian market?
(a) Twin blades developed with Indian students at MIT, at a premium price
(b) A battery-powered handle that gave a closer shave in poor light
(c) A disposable design sold only through modern retail in large cities
(d) A single blade that rinsed easily with little water, at a low price

Answer: (d) - It was designed after watching men shave at home with a cup of water. [Section 2.04]

Q55. Pears was not among the top five soap brands, yet it was kept during portfolio rationalisation because it had:
(a) The lowest variable cost
(b) A strong regional base in the south
(c) A strong image with future growth potential
(d) The same positioning as another brand

Answer: (c) - The brand kept for its regional strength was Hamam. [Section 5.12]

Q56. Colgate launches a toothpaste for sensitive teeth. Calling it "Colgate Sensitive" rather than giving it a new name means that:
(a) More of its sales will come from Colgate's own customers
(b) More of its sales will come from competitors' customers
(c) It cannot be sold in the same shops
(d) It becomes a fighter brand

Answer: (a) - If cannibalisation is the worry, a new name is safer. [Section 5.08]

Q57. A company launching a novelty knows it cannot meet demand at a low price. This points towards:
(a) A lower price
(b) A higher price
(c) No advertising at any stage
(d) Leaving the market

Answer: (b) - Capacity is one of the factors in the choice between a high and a low launch price. [Section 2.10]

Q58. In endorser branding:
(a) The parent's name, with a product description, is the only name used
(b) The parent and the new name share roughly equal emphasis on the pack
(c) The new name leads and the parent appears lightly as an endorsement
(d) The parent is kept hidden from customers in all of the communication

Answer: (c) - Equal emphasis is sub-branding; the parent alone is corporate branding. [Section 5.10]

Q59. In the three-circle framework, the area where customer needs, your offering and the competitor's offering all overlap holds the:
(a) Points of difference
(b) Competitor's points of difference
(c) Unmet needs
(d) Points of parity

Answer: (d) - Parity gets you considered; it gives no reason to choose you. [Section 4.05]

Q60. The two attributes tyre buyers mainly look at, in the Goodyear example, were:
(a) Price and colour
(b) Tread life and wet traction
(c) Brand name and warranty
(d) Speed rating and noise

Answer: (b) - Goodyear improved wet traction, yet customers rated it no differently. [Section 4.04]

Q61. A smart group listing pricing factors from memory forgot distribution altogether. The professor used this to show that:
(a) Distribution has little effect on the price a customer pays
(b) Pricing is best left to the finance and accounting team
(c) Memory is a better guide than a framework for experts
(d) A framework is a checklist that stops you missing things

Answer: (d) - Run the same problem through the 5Cs and distribution cannot be forgotten: it has a box. [Section 0.04]

Q62. When the class listed variables for segmenting hypermarket shoppers, proximity was left out because:
(a) A marketing manager cannot change the store's location
(b) Shoppers do not care how far they travel to a hypermarket
(c) Distance cannot be rated on a scale of one to seven
(d) It is a demographic variable, not a value customers seek

Answer: (a) - Choose variables on which the marketer can act. [Section 3.08]

Q63. Store brands are priced lower than national brands, yet retailers earn more on them. Why?
(a) They are made from cheaper ingredients than national brands of the same type
(b) Customers are willing to pay a premium for a retailer's own name on the pack
(c) The store's own trust saves brand-building cost, and there are fewer middlemen
(d) National manufacturers subsidise them in return for better shelf space

Answer: (c) - National brands, with their bargaining power, leave retailers thin margins. [Section 5.11]

Q64. A new competitor entering the market is, in SWOT terms:
(a) A weakness, because it hurts the company
(b) A threat, because it comes from outside the company
(c) A strength, because it enlarges the market
(d) Neither internal nor external

Answer: (b) - Strengths and weaknesses are internal; opportunities and threats are external. [Section 3.10]

Q65. A participant noted that luxury brands avoid strike-through prices and bonus packs. The explanation is that:
(a) Luxury buyers are far less affected by anchors and frames than ordinary buyers are
(b) Luxury brands are bound by agreements with their retailers never to discount
(c) Those tactics make a price look low, while luxury relies on exclusivity - the Veblen effect
(d) Anchoring and framing have been shown to work only on low-priced products

Answer: (c) - Even so, the snob effect holds only within a range of prices. [Section 1.11]

Q66. Why would a caffeine-free drink struggle if it were positioned as an energy drink?
(a) One dominant brand defines the category's prototype, and the drink does not fit it
(b) Energy drinks are bought mainly in rural markets, where the brand had no reach
(c) Customers who buy energy drinks actively dislike drinks that contain vitamins
(d) Energy drinks must be priced below soft drinks to sell in any real volume

Answer: (a) - Representativeness again: customers would ask where the energy comes from. [Section 4.12]

Q67. A brand leads its communication with "reliable" and "good mileage", which every rival also claims. It is:
(a) Using its strongest point of difference in a crowded market
(b) Repositioning itself away from what it stood for earlier
(c) Stating its reason to believe without naming its target
(d) Leading with points of parity, which give no reason to choose it

Answer: (d) - The positioning has to be built on a difference customers value. [Section 4.05]

Q68. To decide which branding approach a product uses, the professor advised looking at:
(a) How the company names it in advertising, on the front of the pack and in interviews
(b) Which company legally owns the trademark and where it has been registered
(c) Where the product is manufactured and which factory's name is on the pack
(d) How the product is priced compared with the parent brand's other products

Answer: (a) - The boundaries are blurred; judge by emphasis. [Section 5.10]

Q69. In the language of Session 1, a bias is:
(a) A mental shortcut used to decide quickly
(b) The systematic error that a heuristic produces
(c) A deliberate attempt by a company to mislead
(d) The gap between a product's price and its cost

Answer: (b) - The heuristic is the shortcut; the bias is the predictable mistake it leads to. [Section 1.02]

Q70. The first step in deciding whether to extend a brand is to:
(a) Check that the factory has spare capacity and that the channel will stock the product
(b) Choose the advertising agency and agree the budget for the launch campaign
(c) Set the price of the new product in line with the parent brand's price
(d) Bring out all the parent brand's associations from customers, not just its product category

Answer: (d) - Bic's "affordable and disposable" mattered more than "stationery". [Section 5.09]

Q71. In case analysis, the recommendation "start again with fresh research" was rejected because:
(a) Research is rarely useful once a product has already been launched
(b) The case contained no research on which a recommendation could rest
(c) A recommendation must say what to change, using the research already in hand
(d) Only the company, not the analyst, may decide to commission research

Answer: (c) - Name the changes, across all four Ps. [Section 1.12]

Q72. An Indian candy brand entering Singapore because of its large Indian population is pursuing:
(a) Market development
(b) Market penetration
(c) Product development
(d) Diversification

Answer: (a) - An existing product in a new market - starting where tastes are familiar. [Section 2.13]

Q73. A company sold the same tablet at a higher price under a migraine label. Challenged in court, it argued that:
(a) The two tablets contained different active ingredients in different strengths
(b) The higher price paid for the extra advertising that the migraine label needed
(c) Customers had asked for a separate product and were willing to pay more for it
(d) The migraine pack carries different dosage information and offers psychological value

Answer: (d) - As the professor recalled, the company won. [Section 4.01]

Q74. Told that a new "fast-food outlet" was opening near the campus, the class at once imagined rolls and chowmein. This is:
(a) Anchoring - estimating from the first number seen
(b) Representativeness - judging by fit with a prototype
(c) Mental accounting - keeping separate budgets
(d) The decoy - comparing with an inferior option

Answer: (b) - The outlet might serve healthy food, but "fast food" fits a stereotype. [Section 1.08]

Q75. After the outcry over New Coke, Coca-Cola:
(a) Kept New Coke on sale and withdrew the original formula for good
(b) Halved the price of New Coke until its sales recovered a year later
(c) Brought the original back within about three months as Coca-Cola Classic
(d) Renamed New Coke as Diet Coke and aimed it at a different segment

Answer: (c) - The taste tests had never asked how people would feel about losing the original. [Section 2.05]

Q76. In a preference-based segmentation chart, a bar to the right of the 0% line means that the segment:
(a) Rates that variable as more important than the average customer does
(b) Spends more on that variable than the average customer does
(c) Is larger than the other segments, measured on that variable
(d) Is less satisfied than the average customer on that variable

Answer: (a) - The 0% line is the average of all respondents. [Section 3.09]

Q77. On an MDS map, a brand sits on the "sporty" side. The correct reading is that it is:
(a) The sportiest car on the market, since the axis measures sportiness
(b) Sportier than the average of the brands rated, not necessarily a sports car
(c) A sports car by definition, whatever its price or its features
(d) Disliked by buyers who prefer chauffeur-driven, traditional cars

Answer: (b) - Positions are relative; the centre is the average of all the brands rated. [Section 4.04]

Q78. Under Mercedes-Benz India's "Retail of the Future" model, who sets the price, holds the stock and invoices the customer?
(a) Each dealer, as before
(b) An online marketplace
(c) The customer's financier
(d) Mercedes-Benz India itself

Answer: (d) - Dealers became franchise partners who compete only on the customer's experience. [Section 0.04]

Q79. The story of the cement company's 25-kg bags, whose seals broke when dealers threw them off trucks, was told to show that:
(a) Small packs rarely sell in categories that are normally bought in bulk
(b) Dealers should not be given a new product without training and incentives
(c) Advertising and launch buzz are wasted if the product and its supply are not ready
(d) Heavy marketing does not work for products that buyers see as commodities

Answer: (c) - By the time the improved bags arrived, the buzz had died. [Section 2.10]

Q80. "Customers want products that are available and affordable; make them efficiently and they will sell." This belief belongs to the:
(a) Selling concept
(b) Production concept
(c) Marketing concept
(d) Societal marketing concept

Answer: (b) - The earliest of the four approaches - the grandfather's sweet shop, the only one in town. [Section 0.02]

Q81. Low margins per unit in confectionery mean that a brand needs:
(a) High volumes, and therefore strong distribution
(b) A small, loyal group of buyers who pay more
(c) Exclusive outlets in the largest cities only
(d) A premium price to make up for low volumes

Answer: (a) - A typical problem of low-involvement categories. [Section 2.11]

Q82. In the psychologist's view of the buyer, behaviour is:
(a) Rational, aimed at maximum benefit for minimum cost, and so predictable
(b) Driven only by price and income, and so predictable from demographics
(c) Subjective, shaped by upbringing and culture, and therefore unpredictable
(d) Rational within limits, relying on shortcuts that give predictable errors

Answer: (c) - It is the opposite extreme from the economist's rational, predictable buyer. [Section 1.01]

Q83. The professor's tip for reading a case was that the main dilemma is usually stated in:
(a) The exhibits at the back
(b) The section on the company's history
(c) The footnotes
(d) The introduction, the conclusion, or both

Answer: (d) - Case writers like to close the loop by repeating the issue at the end. [Section 0.13]

Q84. "For [target market], [x] provides [point of difference], because [reason to believe]." Which element does this template leave out?
(a) The target
(b) The frame of reference
(c) The point of difference
(d) The reason to believe

Answer: (b) - Templates mix and match the elements; some omit one. [Section 4.09]

Q85. Lay's keeps adding flavours. One advantage of such line extensions noted in class is that they:
(a) Let a bored customer switch without leaving the brand
(b) Remove the need to invest in distribution for each flavour
(c) Allow a higher price to be charged for every new flavour
(d) Stop competitors from launching flavours of their own

Answer: (a) - Otherwise the customer who wants a change moves to a rival snack. [Section 5.08]

Q86. In the first case discussion, one proposal was to launch a premium line under the struggling brand's name. The professor's objection was that:
(a) Brand extensions rarely work, so the company should always create a new brand instead
(b) Premium products cannot be sold to customers who first met the brand as students
(c) The proposal ignored the cost of the extra advertising that a premium line would need
(d) An extension cannot be built on a weak parent; it should have been proposed while the brand was strong

Answer: (d) - The same move is proactive from strength and desperate from weakness. [Section 0.14]

Q87. How long does it take to build a strong brand that pulls customers without discounts?
(a) About six months
(b) Two to five years
(c) Decades
(d) One good advertising campaign

Answer: (c) - The few that seem to rise in two or three years are survivors of thousands that failed. [Section 5.05]

Q88. For services, the marketing mix is usually extended to seven Ps by adding:
(a) People, Process and Physical evidence
(b) Packaging, Positioning and People
(c) Profit, Process and Partners
(d) Purpose, People and Planet

Answer: (a) - A service is produced and consumed in the same moment, by staff the customer can see. [Section 0.09]

Q89. People say "Xerox" for a photocopy and ask for "Bisleri" when they want bottled water. Such names are called:
(a) Fighter brands
(b) Generic brands
(c) Store brands
(d) Ingredient brands

Answer: (b) - The brand name has become the name of the category. [Section 2.12]

Q90. The Taj group's Vivanta and Ginger were cited to show that:
(a) A mass brand can move up easily if it changes its name
(b) Hotel brands cannot be extended without losing their image
(c) A premium brand can offer a cheaper line and be accepted
(d) Repositioning a premium brand always damages the parent

Answer: (c) - Moving down is easier than moving up. [Section 4.08]

Q91. FMCG firms usually prefer to reduce the grams in a Rs. 10 pack rather than raise its price to Rs. 11 because:
(a) Buyers notice a change in quantity more than a change in price
(b) Retailers refuse to handle odd prices
(c) Smaller packs are cheaper to transport
(d) Demand can drop sharply when a price crosses a familiar threshold

Answer: (d) - Buyers react more to price than to quantity, and Rs. 10 is a threshold. [Section 1.11]

Q92. A pack offers "50% more" for the same price. The equivalent price cut is about:
(a) 50%
(b) 33%
(c) 25%
(d) 40%

Answer: (b) - New price per unit = old price / 1.5, which is two-thirds of the old price. [Section 1.06]

Q93. The sensitive-teeth segment is small in numbers, but its members brush twice a day without fail. This shows that:
(a) Small segments should be ignored until they have grown large enough
(b) Demographic variables always matter more than behavioural ones
(c) The number of buyers is the only measure of a segment's worth
(d) Usage can make a small segment more attractive than its size suggests

Answer: (d) - Consumption depends on how many buy and how much each uses. [Section 3.04]

Q94. A market leader rarely runs advertising that names a smaller rival because:
(a) It hands the rival free publicity and a place beside the leader in the buyer's mind
(b) Comparative advertising is something only a challenger is permitted to run
(c) A leader has no need to advertise at all once it has reached the top
(d) Customers nearly always side with the smaller brand in such comparisons

Answer: (a) - Comparative advertising borrows the leader's fame, so it is the challenger's tool. [Section 0.01]

Q95. The same company's cost of sales to prime customers was four to five times higher because:
(a) Prime customers were smaller hospitals spread over a much wider geographic area
(b) Prime customers bought the most expensive systems and demanded longer demonstrations
(c) Its sales force kept pushing service and innovation those customers neither valued nor could afford
(d) It had too few salespeople, so each call on a prime customer took far longer to arrange

Answer: (c) - One selling approach for two different segments wastes money on one of them. [Section 3.07]

Q96. In which stage of the product life cycle do sales flatten, competitors multiply and me-too offers appear?
(a) Introduction
(b) Maturity
(c) Growth
(d) Decline

Answer: (b) - The objective there is to defend and differentiate. [Section 0.15]

Q97. Saffola moved from advertisements about heart patients to everyday healthy cooking for families. Its reason for repositioning was to:
(a) Correct a positioning that had gone wrong
(b) Respond to a product recall
(c) Reach a wider segment and expand its customer base
(d) Move from a mass market to a niche

Answer: (c) - It did so by changing its communication. [Section 4.10]

Q98. Hierarchical clustering begins by:
(a) Treating every respondent as a separate cluster and merging the closest, step by step
(b) Fixing the number of clusters wanted and placing that many random starting points
(c) Dividing the respondents by age and income before any ratings are compared
(d) Removing the respondents whose ratings differ most from those of the majority

Answer: (a) - K-means works the other way round: the analyst chooses k first. [Section 3.08]

Q99. The central lesson of the Samsung story that opened the module is that:
(a) A firm should keep cutting its price until customers notice the product
(b) Advertising matters more than the product, the price or the channel
(c) A challenger should avoid mentioning the market leader in its advertising
(d) A good product still has to be made to mean something to the customer it is meant for

Answer: (d) - The phones were good all along; what changed between 2011 and 2012 was what people knew and felt about them. [Section 0.01]

Q100. In the professor's view, the biggest problem with Bic for Her was:
(a) The "for her" labelling
(b) The colour of the ink
(c) The quality of the pen
(d) The choice of retailers

Answer: (a) - Placed quietly on the shelf, the pens might have found a small segment. [Section 3.12]

Q101. The technical reason the professor gave for ChotuKool's limited success was that it:
(a) Used so much electricity that the monthly bill ran into three digits
(b) Could not hold a low temperature in states where summers cross 40 to 45 degrees
(c) Was too heavy to be carried to a repair shop when it needed servicing
(d) Had too many moving parts and needed servicing every few months

Answer: (b) - Her deeper explanation, though, was researcher bias. [Section 2.06]

Q102. The definition of segmentation speaks of "actual and/or potential customers". The word potential means that:
(a) Only future customers, not present ones, should be studied
(b) Segments must be of roughly equal size to be worth serving
(c) People who do not buy today are left out of the exercise
(d) You segment the whole possible market, not only today's buyers

Answer: (d) - Non-users can be the most interesting segment of all. [Section 3.02]

Q103. "Kitna deti hai?" summed up an industry assumption that Renault Kwid challenged. The assumption was that:
(a) High-price car buyers care only about mileage and resale
(b) Young buyers do not want a small car as their first car
(c) Low-price car buyers care only about economy and mileage
(d) Indian car buyers pay little attention to the price

Answer: (c) - Kwid looked at the same buyers through psychographics and offered aspirational features. [Section 4.06]

Q104. In the healthcare-equipment example, the primary decision makers in the key and the prime segments were, respectively:
(a) Nurses and administrators
(b) Administrators and nurses
(c) Doctors and patients
(d) Purchase managers and finance heads

Answer: (a) - The two segments bought for different reasons and needed different selling. [Section 3.07]

Q105. For a new breakfast cereal, which letter of PESTLE did the class give the most weight?
(a) Technological - whether a 4G product will look dated in a 5G world
(b) Political - how stable the government of a neighbouring country is
(c) Legal - the emission and certification norms for electronic devices
(d) Social - the move towards health-conscious and organic eating

Answer: (d) - The framework stays the same; the emphasis moves with the product. For the smartphone it was technology. [Section 0.07]

Q106. Which pair of methods captures what people do rather than what they say?
(a) Surveys and polls
(b) Eye tracking and A/B tests
(c) In-depth interviews and focus groups
(d) Concept tests and taste tests

Answer: (b) - Both record actual behaviour, not stated preference. [Section 2.03]

Q107. In business markets, "centralised or decentralised purchasing" and "purchase policies" belong to which base?
(a) Firmographics
(b) Benefits sought
(c) Buying approach
(d) Geographic

Answer: (c) - It is the business-market cousin of psychographics. [Section 3.07]

Q108. Documents disclosed in Apple's court battles over design were cited in class because they showed that:
(a) Apple did a good deal of customer research, whatever it said in public
(b) Apple had copied several of its rivals' designs before launching its own
(c) Customers are unable to describe what they want in a new product
(d) Research had led Apple into several product failures it later hid

Answer: (a) - The lesson is to fix how research is done, not to abandon it. [Section 2.02]

Q109. Maruti's difficulty with the Jimny was used in class to show that:
(a) Off-road vehicles have no real market among car buyers in Indian cities
(b) An established image of economy and value does not easily carry a lifestyle product
(c) Maruti's dealers were unwilling to stock a car aimed at so small a segment
(d) A good product will always overcome the image of the brand that sells it

Answer: (b) - Repositioning is very risky territory, even with a good product. [Section 0.10]

Q110. In the AMA's 2007 definition, the phrase "exchanging offerings that have value" brings in which P?
(a) Product
(b) Place
(c) Promotion
(d) Price

Answer: (d) - Value is traded, not handed over. Creating is Product, communicating is Promotion, delivering is Place. [Section 0.03]

Q111. In a positioning statement, the frame of reference is:
(a) The proof that makes customers believe the brand's claim
(b) The group of customers the brand has chosen to serve
(c) The category or alternatives the brand is benchmarked against
(d) The price band in which the brand has chosen to compete

Answer: (c) - It tells customers what kind of thing the brand is. [Section 4.09]

Q112. What does the societal marketing concept add to the marketing concept?
(a) Heavier use of selling and promotion to move what the factory has already made
(b) Satisfying customers in a way that also protects society's long-term interests
(c) A focus on making products available and affordable through efficiency
(d) Building the whole offering around what customers need and value

Answer: (b) - The fourth approach, later written into the AMA's 2007 definition as "society at large". [Section 0.02]

Q113. For a new toothpaste brand, the class thought a smaller, less crowded need could be a better place to start than a large one because:
(a) A new player can get lost in a large, crowded segment
(b) Large segments are nearly always unprofitable to serve
(c) Small segments have no competitors in them at all
(d) Retailers give more shelf space to niche products

Answer: (a) - Size each need, then look at the competition in it. [Section 3.05]

Q114. Why can "Linda is a bank teller and active in a feminist movement" never be more probable than "Linda is a bank teller"?
(a) Bank tellers are rarely interested in social causes of any kind whatever
(b) The description of Linda says nothing at all about the work that she does
(c) The first is a subset of the second: two conditions must hold instead of one
(d) Probability cannot be applied to judgements about individual people

Answer: (c) - Fit with the description overrode the arithmetic. [Section 1.08]

Q115. In the Nano's intended positioning, the differentiation was meant to be:
(a) The lowest price of any car in the world
(b) Sporty styling aimed at college students
(c) Luxury features packed into a small car
(d) Quality and robustness at that price - value

Answer: (d) - "Cheapest car" was the media's position for it, not the company's. [Section 4.07]

Q116. A participant called one-third of respondents willing to buy "a bad number". The professor's response was:
(a) Any figure below 50% is a failure
(b) Bad compared with what? A number needs a reference point
(c) The figure should be doubled to allow for error
(d) Research numbers should be ignored in a case

Answer: (b) - Judge a number against a target, a competitor or a category norm. [Section 1.12]

Q117. A customer gives a margin of Rs. 500 a year for 20 certain years. Discounted at 10%, these are worth about Rs. 4,257, and the customer cost Rs. 1,500 to acquire. The CLV is about:
(a) Rs. 2,757
(b) Rs. 4,257
(c) Rs. 5,757
(d) Rs. 10,000

Answer: (a) - Net present value: 4,257 less the acquisition cost of 1,500. [Section 0.18]

Q118. Driving is statistically riskier than flying, yet flying feels riskier just after a crash. The reason given in class is that:
(a) People anchor on the price of the ticket when judging the risk
(b) Airlines frame their safety record as a loss instead of a gain
(c) Flying is booked into a separate mental account from driving
(d) Vivid, recent events are easily recalled and so feel more likely

Answer: (d) - Availability: what comes to mind easily is judged more probable. [Section 1.07]

Q119. In the keep-or-drop decision on a brand, contribution means:
(a) The brand's share of total sales
(b) Profit after allocated fixed costs
(c) Price minus variable cost
(d) Revenue minus advertising

Answer: (c) - Fixed costs remain whether or not the brand exists, so they should not drive the decision. [Section 5.12]

Q120. The slide "Marketing Management - The Plan" names three activities: situation analysis, developing strategy and designing tactics. In that order, they are:
(a) The 5Cs, STP and the 4Ps
(b) STP, the 5Cs and the 4Ps
(c) The 4Ps, STP and the 5Cs
(d) PESTLE, the 4Ps and STP

Answer: (a) - Read the situation, choose the strategy, then carry it out. [Section 0.09]

THE LAST FEW PAGES

Exam Cheat Code

Everything in the module that has to be recalled, not reasoned out: the formulas, the frameworks, the pairs that are easy to confuse, which example taught what, the numbers, the traps, and how to attack a question.

Sessions 0 to 5 only | Each line points to the section where it was taught

8.01	Every Formula and Number Rule	205	**8.05**	Numbers Worth Remembering	215
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8.04	Which Example Taught What	210	**8.08**	The Module in Twelve Lines	219

8.01 Every Formula and Number Rule

Marketing has few formulas, and nearly all of them sit in two places: customer lifetime value and the arithmetic of a promotion. Each line has a number to check it with. If you can reproduce the third column without looking, you know the formula.

Formula	In words	Check it with	Section
Basic CLV = annual revenue x loyal years x profit margin	A first estimate that ignores time, acquisition cost and customers leaving	5,000 x 20 x 10% = Rs. 10,000	0.18
Present value = future amount / $(1 + i)^n$	Money due later is worth less today	Rs. 121 due in 2 years at 10% = Rs. 100	0.18
CLV = sum of $m_t / (1 + i)^t$, less AC	Discount each year's margin; subtract the acquisition cost	Rs. 500 for 20 years at 10% = 4,257; less 1,500 = Rs. 2,757	0.18
CLV = sum of r^{t-1} x $m_t / (1 + i)^t$, less AC	Also multiply each year by the chance the customer is still there	At 80% retention: 1,664 less 1,500 = Rs. 164	0.18
Survival in year t = r^{t-1}	The customer is certain in year 1	At 50% retention: 1, 0.5, 0.25, 0.125	0.18
Churn rate = 1 - retention rate	Lost and kept customers add to 100%	80% retained means 20% churn	0.18
Discount rate: use 10% if finance gives none	Firms borrow at roughly 8% to 15%	-	0.18
Effective discount of "x% more" = x / (100 + x)	Extra quantity is a smaller discount than it sounds	33% more = 25% off; 25% more = 20% off; 50% more = 33% off	1.06

Formula	In words	Check it with	Section
Price per unit with a bonus = old price / (1 + extra share)	Always compare offers per unit	1.33 litres for Rs. 100 = Rs. 75 a litre	1.06
Euclidean distance = square root of the sum of squared differences	How far apart two respondents' ratings are	(6, 6, 5) and (7, 7, 5): root of 1 + 1 + 0 = 1.41	3.08
Positioning = target segment + differentiation	Whom you speak to, and what you offer that rivals do not	-	4.02
Contribution = price - variable cost	Keep a brand whose contribution is positive, even if it shows a loss after fixed costs	100 - 70 = 30, though allocated fixed cost is 40	5.12
80/20 rule	About 20% of a firm's brands bring about 80% of sales or profit	-	5.12

8.02 Every Framework in One Line

Each framework answers one question. Learn the parts in the second column in order; questions often ask which part an example belongs to.

Framework	Its parts	The question it answers	Section
Marketplace concepts	Production, selling, marketing, societal marketing	Where does a business start - the factory or the customer?	0.02
AMA definition (2007)	Creating, communicating, delivering, exchanging = Product, Promotion, Place, Price; for customers, clients, partners and society	What is marketing?	0.03
5Cs	Customers, company, collaborators, competitors, context	What is the situation?	0.05
PESTLE	Political, economic, social, technological, legal, environmental	What is the context?	0.06
The marketing plan	5Cs, then STP, then the 4Ps	In what order do we decide?	0.09
STP	Segmentation, targeting, positioning	Whom do we serve, and what do we stand for?	0.09
4Ps (7Ps for services)	Product, price, place, promotion (plus people, process, physical evidence)	How do we deliver the choice?	0.09
Case analysis	Identify the problem; alternatives with pros and cons; a recommendation argued from the case's data	How do I analyse a case?	0.13
Product life cycle	Introduction, growth, maturity, decline	What stage are we in, and what should we do?	0.15

Framework	Its parts	The question it answers	Section
Customer value	Economic, functional, psychological	What does the customer get?	0.16
Customer lifetime value	Margin, discount rate, retention, acquisition cost	What is a customer worth to us?	0.18
Bounded rationality	Limited ability, time and information lead to heuristics, which lead to biases	How do buyers really decide?	1.02
The six shortcuts	Anchoring, framing, availability, representativeness, the decoy, mental accounting	How can a marketer influence the decision?	1.03 to 1.10
Research methods	What people say or do; qualitative or quantitative	How do we find out what customers want?	2.03
Involvement	Low or high; economic, psychological and performance risk	How much thought goes into this purchase?	2.11
Ansoff matrix	Market penetration, product development, market development, diversification	Where can we grow?	2.13
Segmentation bases	Value-based; geographic, demographic, psychographic, behavioural	How can the market be divided?	3.04
Business-market bases	Geographic, firmographics, buying approach, behavioural, benefits sought	How are business buyers divided?	3.07
Cluster analysis	Choose variables, collect ratings, measure distance, label and size; hierarchical or k-means	How are segments found from data?	3.08
Targeting	Segment attractiveness and segment compatibility	Which segments should we serve?	3.10
SWOT	Strengths and weaknesses (internal); opportunities and threats (external)	Where do we stand?	3.10
Perceptual map and MDS	Two attributes plotted; or similarity ratings turned into a map	How do customers see the brands?	4.03, 4.04
Three circles	Points of parity and points of difference	On what should we position?	4.05
Positioning statement	Who (target); what (frame of reference and point of difference); why (reason to believe)	How do we state the position?	4.09
Repositioning	Why: needs changed, a new segment, a position gone wrong. How: communication alone, or product and communication	When and how do we change the image?	4.10, 4.11
Mass or niche	Volume against margin and strength of appeal	How wide should the position be?	4.12

Framework	Its parts	The question it answers	Section
Four challenges of brand building	Cash, contemporary, clutter, consistency	Why are strong brands rare?	5.05, 5.06
Brand extension	Line extension (same category); category extension (new category)	A new name or an existing one?	5.07
Perceived fit	The parent's associations; do they help or hurt; extend or create a new brand	Will the extension work?	5.09
Branding approaches	Individual, endorser, sub-brand, corporate; house of brands or branded house	How much of the parent's name?	5.10
Other brand types	Ingredient, private (store) label, fighter	-	5.11
Portfolio rationalisation	Contribution, market position, non-overlapping positioning, growth potential, regional strength	Which brands do we keep?	5.12

8.03 Pairs That Are Easy to Confuse

Most wrong answers in a multiple-choice paper come from mixing up two things that sound alike. Here are the pairs this module is full of, each separated in one line.

This	Is not this	The difference
Marketing	Selling or advertising	Marketing starts from the customer's need and covers all four Ps. Selling starts from the product; advertising is one part of promotion.
Push	Pull	Push works on the customer (the door-to-door salesman). Pull works because the customer already wants it (asking for a brand by name).
Customer	Consumer	The customer buys; the consumer uses. A mother buys the cereal her child eats.
Decision	Activity	"Which distributor to appoint" is a decision. Market research and revenue tracking are activities that feed decisions.
Place	Market selection	Place means channels. Choosing which market to enter is targeting, part of STP.
STP	The 4Ps	STP is strategy: long-term and hard to change. The 4Ps are tactics that must serve it.
Intended positioning	Actual positioning	What the company's communication says, against the image that actually forms in customers' minds (the Nano).
Loyal customer	Profitable customer	A customer who returns only for freebies can have a negative lifetime value.
Heuristic	Bias	The mental shortcut, and the systematic error it produces.

This	Is not this	The difference
Anchoring	The decoy	Anchoring: a first number sets the scale for an estimate. Decoy: a third, clearly inferior option makes another look good (popcorn tubs).
Framing	Positioning	Framing is how a company presents a fact in its own communication. The Nano's "cheapest car" image came from the media: a positioning problem.
Availability	Representativeness	What is easily recalled feels likely (a recent crash). What fits a stereotype feels likely (Linda, the white coat).
33% more	33% off	33% more is only 25% off. Compare price per unit.
Left-digit effect	9-ending as a deal signal	Rs. 999 reads as nine hundred-something. Separately, a price ending in 9 signals an offer ($39 sold more than $34).
Observation	Ethnography	Ethnography is observation over a long period, living within the community.
Habit	Emotion	Reaching for the orange on the Tropicana pack is learned buying behaviour, not an emotional bond.
High launch price	Low launch price	High when rivals can copy fast or capacity is short. Low when habit makes early share decisive and capacity is ample.
Low involvement	High involvement	Low risk, little evaluation, brand switching. High economic, psychological or performance risk, careful comparison.
Product development	Market development	New product for the existing market, against the existing product for a new market. Both new: diversification.
Psychographic	Behavioural	A person's broad lifestyle, against how the person acts within this product category.
Attractiveness	Compatibility	How valuable the segment is to us, against whether we can serve it better than rivals.
Weakness	Threat	Internal to the company, against coming from outside it.
Hierarchical clustering	K-means clustering	Starts with every respondent alone and merges. Starts with a chosen number of clusters, k.
Point of parity	Point of difference	Gets you considered, against gets you chosen.
Frame of reference	Reason to believe	The category you are compared with (candy bar), against the proof of your claim (packed with peanuts).
Repositioning	Rebranding	A new image in customers' minds, against a new look, logo or name (Tropicana's pack).
Repositioning	Growth or extension	Adding products or segments while standing for the same thing is growth (Starbucks adding food).
Line extension	Category extension	Same category (a new flavour), against a new category (soap to lotion).

This	Is not this	The difference
Cannibalisation	Dilution	The new product takes sales from your own existing product, against the new product weakens what the parent brand stands for.
Endorser branding	Sub-branding	The new name leads with a light endorsement, against the parent and the new name sharing emphasis (Honda City).
House of brands	Branded house	New names for new products (P&G, HUL), against one name on almost everything (Godrej, Dell, Virgin).
Contribution	Profit	Price minus variable cost, against what is left after fixed costs as well.

8.04 Which Example Taught What

Marketing is taught through examples, and questions often name the example and ask for the idea - or name the idea and ask for the example. Every example used in class is here, session by session.

Session 0

Example	What it taught	Section
Samsung's "The Next Big Thing"	A good product is not enough; comparative advertising is the challenger's tool	0.01
Mercedes "Retail of the Future"	A decision about Place changes the Price	0.04
Smartphone and breakfast cereal	The same framework applies to any product, with different emphasis	0.07
Apple's few stores, Samsung everywhere	Each P follows from the firm's own target and positioning	0.11
Ford's small car (SportKa)	A good product with no clear segment strategy	0.11
Tata Nano	Intended against actual positioning; the 4Ps did not line up with the target	0.12, 4.07
Maruti Jimny	Repositioning is very risky; an image does not stretch easily	0.10
Axe and Fogg	A leader must grow the category and act before sales plateau	0.14, 5.06
Diet Coke and Coke Zero	A separate brand to reach a segment the first brand's image repels	0.14, 5.09
Wagon R against i10	Economic value can be calculated	0.16
Walmart buying Flipkart	The customer base is an intangible asset	0.17
The dot-com bubble	High acquisition cost with low retention gives a negative CLV	0.17

Session 1

Example	What it taught	Section
The food engineer's salary	Anchoring: estimates cluster around the number shown	1.03
Strike-through prices; TVs at the store entrance; the sari shop	Anchoring on a reference price	1.04
"Maximum 4 per customer"	Anchoring on quantity	1.04
Disney's posted waits; padded airline schedules	Anchoring on expected time	1.04
The $1,000 sundae	One extreme item makes the rest of the menu look reasonable	1.04
The operation: 50% survive or 50% die	Framing: gain against loss	1.05
Bank stress test; second vaccine doses; lean meat	The same fact in a positive and a negative frame	1.05
33% more against 33% off	Gains are preferred to reduced losses; 33% more is 25% off	1.06
The bank's "50% extra" advertisement	Framing a small difference to look large	1.06
Words ending in -ing	Availability: what is easy to recall seems more frequent	1.07
A bad phone and the same brand's washing machine	One failure, easily recalled, taints other categories	1.07
Taj after 26/11; MH370; AirAsia	After a crisis, communicate early, personally and consistently	1.07
Linda the bank teller; the white coat	Representativeness: fit with a stereotype beats probability	1.08
Pears' translucent soap	A category cue others can borrow	1.08
Detergents X, Y and Z; popcorn tubs; The Economist	The decoy: a dominated option steers the choice	1.09
The lost ticket and the lost note; the labelled jars	Mental accounting	1.10
Houston airport's baggage claim	Occupied time is not felt as waiting time	1.10
$39 cut to $34	A price ending in 9 signals a deal	1.11
Universities raising fees	Price as a cue to quality	1.11
Rs. 10 and Rs. 20 packs	Price thresholds; firms adjust grams instead	1.11
Research done in the head-office city	Convenience biases research	1.12

Session 2

Example	What it taught	Section
P&G's interviewers and home visits	From asking to watching	2.01
Steve Jobs; "faster horses"; Apple's court documents	Research is not useless; bad research is	2.02
The paid respondent at the bus stop	Wrong respondents give wrong answers	2.02
Gillette Vector and Guard	Research where and how the customer actually uses the product	2.04
New Coke	Taste tests missed social influence and the pain of loss; focus groups reveal them	2.05
ChotuKool	Ethnography - and researcher bias	2.06
Sleepy Owl	Continuous surveys tied to decisions	2.07
Tropicana's new pack	Research how people actually buy; do not fix what is not broken	2.08, 4.10
The burger lawsuit	A reasonable person interprets advertising sensibly	2.08
Lux and Pears against smartphones and Zara	Research time must fit the product's life cycle	2.09
The Re 1 candy	Launch price, no advertising before supply, word of mouth	2.10
The 25-kg cement bags	Do not advertise what is not ready	2.10
Salt and charcoal in toothpaste	Raising involvement in a low-involvement category	2.11
The kirana's shelf	Service to the retail channel sustains an advantage; a stock-out invites the copy	2.12
Xerox and Bisleri	Generic brands	2.12
The candy brand's mango drink	Diversification: high risk, high reward	2.13
Tata cars and taxis	An image, once formed, is hard to shake	2.13

Session 3

Example	What it taught	Section
Sixty-five participants; pink and blue air conditioners	Effectiveness against efficiency; drop differences that do not change buying	3.03
The toothpaste shelf	Value-based segmentation, then profiling into a persona	3.05

Example	What it taught	Section
Target's toy aisles	Even a natural variable can be questioned	3.06
Hillrom's key and prime customers	Segment business buyers by how they buy, not by size	3.07
The hypermarket survey	Cluster analysis, step by step	3.08
The B2B price, product and service segments	Reading a preference-based segmentation	3.09
Pepsi; Fastrack	Age-based segmentation; keep your own brands from overlapping	3.11
Mountain Dew	Psychographic segmentation	3.11
Dove; Lifebuoy and Dettol	Value-based segmentation: skin care against hygiene	3.11
Madura Garments' four brands	Segmentation by occupation and career stage	3.11
Hero Pleasure and Maestro	Gender-based segmentation that worked; launch the next product at the plateau	3.12, 3.13
Bic for Her; the pink tax	A segment needs a real, different need at a justified price	3.12
Black-and-white TVs and pagers	The life cycle applies at the sub-category level	3.13
Gap and JCPenney; Old Spice	New segments must not cost you the loyal base	3.14
The ethnic-wear brand's options	Applying the Ansoff matrix; menswear as diversification	3.15

Session 4

Example	What it taught	Section
The pregnancy test with two names	Value-based segmentation and price discrimination	4.01
Rolls-Royce, BMW, Maruti	Each brand owns one image	4.02
Subway	A vacant, desirable space on a perceptual map	4.03
The car map; Goodyear	MDS; a real advantage that did not reach perception	4.04
The weight-loss drug	Parity (it works) against difference (fewer side effects)	4.05
Renault Kwid	A psychographic lens on a low-price segment	4.06
Chik shampoo sachets	Targeting non-users	4.07
Volkswagen Phaeton; Maruti Kizashi	A mass brand struggles to move up	4.08
Lexus; Nexa	A new brand or a new channel to go premium	4.08
Vivanta and Ginger	A premium brand can move down	4.08

Example	What it taught	Section
Snickers; Maggi Oats; Mountain Dew; Gatorade	Reading a positioning statement	4.09
Cadbury Dairy Milk; Saffola	Repositioning through communication	4.11
Fair & Lovely's multipurpose relaunch	A repositioning must reach every customer	4.11
Big Bazaar; Kellogg's Special K	Repositioning that did not work	4.11
Starbucks adding food	Growth, not repositioning	4.10
The caffeine-free drink	Mass or niche: every P must agree with the position	4.12

Session 5

Example	What it taught	Section
The queue for the iPhone; the 70% discount queue	A fan against a bargain hunter	5.02
Harley-Davidson	Loyalty with little advertising; the brand saved the company	5.02
The cattle brand	The origin of the word	5.03
McElroy's memo	The birth of brand management	5.03
Tylenol; Maggi	A strong brand earns the benefit of the doubt	5.04
The blind beer test	The brand shapes even taste	5.04
Kodak, Ambassador, HMT	Failing to stay contemporary	5.05
Lux; Olay	Staying contemporary	5.05
Nirma, Nivea, Thums Up, Amul, Pentonic	Routes to break the clutter	5.06
Lucky Strike: "It's toasted"	Being the first to claim something	5.06
The Fortune 500, 1955 to 2017	Consistency over decades is rare	5.06
Crystal Pepsi and Tab Clear	An extension that broke the category's association	5.09
Bic lighters, razors and perfume	Fit depends on the brand's associations, not its category	5.09
Huggies and Depend	A new brand when the parent's image does not fit	5.09
Pond's toothpaste; Lifebuoy talc; Amul pizza	Extensions that failed on fit	5.09
Jio and Tata	Which associations travel across categories	5.09

Example	What it taught	Section
P&G and HUL; Godrej, Dell, Virgin	House of brands against branded house	5.10
Honda City; Cadbury Dairy Milk	Sub-branding	5.10
Emami's Mantra	Endorser branding, and its risk	5.10
Intel Inside; Teflon	Ingredient branding	5.11
HUL's 30 of 110 brands; Pears; Hamam	Portfolio rationalisation and its criteria	5.12
The hospital brand's cancer unit	Extending a service brand: sub-brand; watch dilution	5.13

8.05 Numbers Worth Remembering

Examiners like a number. Every number used in class or on the slides is gathered here, once, with the section it comes from. Numbers the professor recalled from memory are as she gave them.

Item	The numbers	Section
The four marketplace concepts	Production 1890s-1920s; selling 1920s-1950s; marketing from the 1950s; societal from the 1980s	0.02
AMA definitions	2004, and 2007 (current)	0.03
Mercedes direct selling	June 2021; Rs. 1-2 lakh benefit on price; about Rs. 825 crore of orders in under a month	0.04
Flipkart	2018; about 77% for about 16 billion dollars	0.17
The CLV example	Rs. 5,000 a year, 20 years, 10% margin: Rs. 10,000, then Rs. 2,757, then Rs. 164	0.18
Loyal years in telecom	About three to four	0.18
Kahneman's Nobel	2002	1.02
Salary estimates in the anchoring experiment	About 90K against about 120K	1.03
33% more against 33% off	About 60:40 in favour of "more"	1.06
The bank's campaign	6% against 4%; retail customer base up about 20% in two months	1.06
Brand rating after a failure	From 3 to 1, then to 4 if handled well	1.07
The detergent experiment	X: $3.00, quality 5. Y: $3.80, quality 6	1.09
Popcorn	About Rs. 600, Rs. 750, Rs. 800	1.09
The Economist	$59 web; $125 print; $125 web plus print. 80:20 became about 30:70	1.09

Item	The numbers	Section
Houston airport	An 8-minute wait became a 6-minute walk and a 2-minute wait	1.10
The apparel price test	$39 cut to $34: sales fell about 25%	1.11
Gillette	Vector 2002; Guard October 2010; over 50% of volume in six months	2.04
New Coke	April 1985; about 200,000 taste tests; original back in about three months	2.05
ChotuKool	43 litres, 10 kg, 12V DC, 5 to 15 degrees, Rs. 3,250-3,790; Edison Award 2012	2.06
Sleepy Owl	Over 60% felt guilty about plastic; poll 64.9% against 35.1%	2.07
Tropicana	About $35 million on advertising, $50 million in all; sales down 20% in under two months	2.08
The candy	Twice the price of rivals; first TV advertisement about two years after launch	2.10
The class as a market	65 strategies, 1 strategy, or about 6	3.03
Hillrom	8 segments grouped into 2; cost of sales 4 to 5 times higher; revenue per employee up 11%, operating income per employee up 51%	3.07
Cluster analysis	Scales of 1-5 or 1-7; at least 100 respondents, about 200 with many variables; 3 or 4 clusters, rarely more than 5	3.08
India's two-wheelers	Scooters about 85% in the early 1990s; reversed by the mid-2000s	3.12
Hero's scooter share	9.8% to 16.9% after Pleasure (2006); about 19% after Maestro	3.12
The pink tax	About 30% more for women's razors	3.12, 4.01
Gap and JCPenney	Chief executives removed after about two years and about a year and a half	3.14
The pregnancy test	About $6.99 against $9.99	4.01
Ries and Trout	1972	4.02
Fair & Lovely's relaunch	About 20% of share lost in two months; over half of sales were rural	4.11
Harley-Davidson	Founded 1903; about a lakh riders at its centenary in 2003	5.02
McElroy's memo	1931	5.03
Tylenol	1982; 31 million bottles recalled	5.04
Maggi	2015; off the shelves about six months; about 75% of the market before, about 60% soon after its return	5.04
Building a brand	Decades, against a manager's two to three years in a role	5.05

Item	The numbers	Section
The Fortune 500	About 60 of the 1955 list, or 12%, still on it in 2017	5.06
Rationalisation	HLL kept 30 of 110 brands (2001); P&G kept 70-80 and dropped about 100 (2014)	5.12
The contribution example	Price 100, variable cost 70, allocated fixed cost 40: contribution 30, paper loss 10	5.12

8.06 Twenty Traps

Each of these has caught somebody in class. Read the left column, decide what is wrong with it, then read the right.

#	The trap	The right way to think
1	"Marketing means advertising" - or sales	Marketing covers all four Ps and, before them, the choice of whom to serve.
2	Listing market research as a marketing decision	It is an activity. Ask: to take what decision?
3	Putting "which market to enter" under Place	Place is channels. Market choice is targeting.
4	Designing the product, then looking for a buyer	STP comes first; the marketing manager's product decisions follow it.
5	"The Nano failed because Tata positioned it as the cheapest car"	Tata intended "spacious and robust". The media set the image, and the 4Ps did not reach the target.
6	"A new advertisement will reposition the brand"	The image was built by the whole mix over years; one campaign rarely moves it.
7	Treating a loyal customer as a profitable one	CLV counts margin, discounted, weighted by retention, less acquisition cost.
8	Using t for survival, or revenue for margin, in CLV	Survival is r to the power t - 1; discounting uses t; the base is margin.
9	Calling every pricing tactic anchoring	Popcorn tubs are a decoy; Rs. 999 is the left-digit effect; "only 2 left" is scarcity.
10	Comparing "33% more" with "33% off" by the headline figure	Convert to price per unit: 33% more is 25% off.
11	Asking which heuristic positioning falls under	None. Heuristics describe buyers; positioning is the firm's strategic choice.
12	"The research failed, so research is useless"	Find how it went wrong: the wrong people, the wrong question, the wrong reading.

#	The trap	The right way to think
13	Calling Tropicana's lost orange an emotional loss	It was habit: a learned way of finding the pack on the shelf.
14	"More segments are better"	A difference earns a segment only if it changes what customers want or how they buy.
15	Filing an internal gap as a threat	Weaknesses are internal; threats come from outside.
16	Accepting a customer who sits in two clusters	Segments must not overlap; if they do, redo the exercise.
17	Positioning on a point of parity	Parity gets you considered; only a difference gets you chosen.
18	Calling a new pack, or a new product line, repositioning	Repositioning changes what the brand stands for in customers' minds.
19	Saying a cancer unit will "cannibalise" an emergency service	Cannibalisation is the new product taking the old one's sales. The risk here is dilution.
20	Dropping a brand because it shows a loss after fixed costs	If its contribution is positive, it is helping to cover costs that would remain anyway.

8.07 How to Attack a Question

The questions in this module are short, and the options are close. A few habits separate the right answer from the nearly right one.

If the question asks	Stop and think
"Which P?" or "Which C?"	Channel is Place; choosing a market is targeting; packaging is Product. A distributor is a collaborator; the economy is context; a feature can sit in both company and customers.
"Which heuristic?"	Ask what was changed. A number shown first: anchoring. The wording, gain or loss: framing. Ease of recall: availability. Fit with a stereotype: representativeness. A third, inferior option: decoy. Separate budgets, or time spent waiting: mental accounting.
"Which research method?"	Is it about what people say or what they do? A few people in depth, or many measured?
"Which segmentation base?"	A need: value-based. Who the person is: demographic. Lifestyle: psychographic. Conduct within the category: behavioural. Where: geographic.
"Which Ansoff cell?"	Two questions: is the product new, and is the market new? Then ask whether the skills, customers and competitors really are new.
"Is this repositioning?"	Has what the brand stands for changed? If only the look changed, it is rebranding; if only the range grew, it is growth or extension.
"Line or category extension?" "Which branding approach?"	Same category or a new one. Then look at how prominent the parent's name is on the pack and in the advertising.

If the question asks	Stop and think
For a calculation	CLV: margin, not revenue; discount by t, survive by t - 1; subtract the acquisition cost. Promotions: convert to price per unit.
"According to the professor..." or "in class"	Answer as it was taught, even where other views exist - menswear and the mango drink were both placed under diversification.
"NOT" or "EXCEPT"	Three options will be true. Mark the true ones first; what is left is the answer.
When two options both look true	One of them answers a different question. Read the question again and choose the one that answers this one.
On a case	Stay inside the case's facts; state the problem; give real alternatives with pros and cons; recommend with the case's numbers.

8.08 The Module in Twelve Lines

If only one page is read before the exam, it should be this one.

#	The line
1	Marketing starts from the customer's need, not from the factory: it creates, communicates, delivers and exchanges value - the four Ps - for customers and society.
2	A plan reads the situation with the 5Cs, chooses a strategy with STP and carries it out with the 4Ps - in that order, and with every P agreeing with the strategy.
3	A position can only be intended; the actual one forms in customers' minds, and changing it later is slow, costly and risky.
4	A customer is worth the discounted margins he will bring, weighted by the chance that he stays, less what it cost to win him.
5	Buyers are rational only within limits; they use shortcuts - anchoring, framing, availability, representativeness, the decoy, mental accounting - that a marketer can use and a consumer should watch for.
6	Research fails when it asks the wrong people, asks only what they say, or ignores how they actually buy; pair what people say with what they do.
7	Low-involvement goods are won by availability and recall; a copyable product is defended by service to the channel; growth options are mapped on the Ansoff matrix.
8	Segment on differences that change buying - start with the value customers seek, then profile who they are - and target segments that are both attractive and compatible.
9	Positioning is target plus differentiation: meet the points of parity, build on a point of difference, and state it as who, what and why.
10	Reaching a new segment or a new image must not cost the brand its existing customers or what it stands for.
11	A strong brand is a shortcut, a store of trust and a price premium; building one takes decades and four disciplines - cash, staying contemporary, breaking clutter, consistency.

#	The line
12	Extend a brand only where its associations fit; choose how much of the parent's name to show; and prune the portfolio by contribution, rank, distinct positioning, growth and regional strength.

A NOTE TO MY BATCHMATES

All the very best.

These notes began as my own attempt to make sense of six classes of marketing, and they grew because so many of you read the earlier ones and wrote back. If you have reached this page, you have covered the whole module: what marketing is, how buyers really decide, how to find out what they want, how to divide a market and choose whom to serve, what a brand should stand for, and how a strong brand is built and looked after.

None of us needs to become a marketer. It is enough to look at a product on a shelf, a price on a screen or a proposal on our own desk and ask the three questions this module keeps returning to: who is it for, what does it stand for, and does everything else agree with that? I hope these pages have made those questions a little more natural, and that you close them feeling surer of the subject than when you opened them.

Read at your own pace, try the questions honestly, and keep the Cheat Code for the last evening. Good luck for the exam, and for everything that comes after it.

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