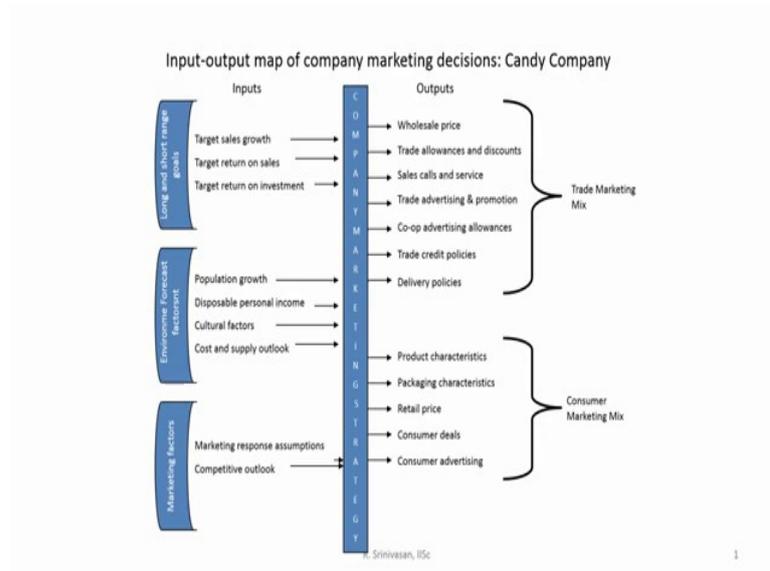


**Integrated Marketing Management**  
**Prof. R. Srinivasan**  
**Department of Management Studies**  
**Indian Institute of Science, Bengaluru**

**Lecture – 09**  
**Input Output Map**

Welcome to this class. In the last class, we looked at the different actors in the marketing environment and the role they play with respect to the firm. Now, here we take a company and try to analyze this environment in a little more depth. The company that we are taking into account is a typical candy company.

(Refer Slide Time: 01:00)



If you look at the European market most of these candy companies vie for a marketing space because the number of companies producing candies or quite a huge number and they have to fight for this marketing space or the shelf space in each of these well known chains or malls in the present day context. More often they not you find these candy companies by the side of the exit that is the cash windows and these are prominent in their exhibition of these candies and they are packed attractively to catch the attention of the children.

Many nice logos like 'I am waiting for you' and putting a child's picture on the top of the cover and then the companies using a lot of incentives to buy these candies saying three for the price of two, four for the price of three all these things keep happening in

most of these places. And, more often than not when children accompany the elders into this marketplace, it is very probable that the child's attention will be going towards these candies. And, when it goes towards these candies normally the elders will not prevent the child from having candies.

It is in this short time these candies have to be sold. So, the children have to find these candies to be very attractive. The candy companies have to really put in all their skills to make these candies to be attractive to the children so that the sale can take place in the last 5 minutes or so with respect to this marketing malls or whatever you call that. This is very popular in the European market and also in the American market.

Take a typical candy company we are trying to take a typical candy company and finding out what are the inputs that are required for making marketing decisions and how these decisions are going to affect the output. Now, we look at a typical input output map for a candy company.

If you look at this map you are seeing three compartments here this is with respect to the company. What is the type of inputs that the company is looking at? These inputs are broadly divided under three heads; one is the long and short range goals with respect to the company, kindly note this. A candy company looks at the target sales growth, the target return on sales and the target return on investment as its long and short range goals.

Now, the second module here with respect to inputs is the environment forecast factors. If you look at the environment forecast factors the population growth the disposable personal income the cultural factors the cost and the supply outlook. What is a typical expectation when you say population growth? The typical expectation is when the population of children or a segment in a particular age group increases that could be a good target for a candy company. A typical candy company sales will be in the region of up to 15 years you can have this candy sales being quite popular especially in the western market.

The disposable personal income, what is this disposable personal income? It is the income of the parents or the elders which you are looking at, it is not the income of the child. When the elders have a disposable personal income for them this last part of the sale in a typical mall will be this candy and to make an investment a typically small

investment considering what all they have marketed or gone through the marketing of other items. This small investment nobody will be grudging against having this candy for the child.

The cultural factors suppose some segments of the population are averse to have their children having candies, then that segment is not a potential market segment for the candy company, but generally most of the segments do not have a taboo on this candy. Then the next factor in this module on environmental forecast is the cost and supply outlook. In order to make these candies you may require sugar, you may require some coatings to make it sweet all those types of things and how does this environment look with respect to the supply of these types of raw materials which go into making the candy.

The third module in this input is what we call the marketing factors. Now, marketing factors are basically two; one is what is called the marketing response assumptions, and the second is what is called the competitive outlook. If you look at a typical candy a candy should not be very sweet, similarly the sweetness of the candy should not be very low also. The research studies have indicated that if this sweetness is anywhere between 28 to 32 percent with respect to the candy the child will like that candy, so, it is this 4 percent gap.

Some candy companies might have a 28 percent sweetness with respect to the candy some of them 29, some of them 30 and the child might like to try all these sweet combinations one at 28, 29, 30, 31, 32. So, the small band or the gap of these 4 percent sometimes they increase it to 33 also to make it a little extra sweet for those children who want more sweet, but beyond 33 the candy loses its taste ok.

This is that and how does this sweetness with respect to the candy how do they alter this? It typically gets altered by what the competitor has done. Suppose he has put this sweetness at 28 percent, you may like to put it at 29 that is suppose you are a candy company. You would not like to put it at the same 28 percent because all these companies are vying for a shelf space and they want these candies to be sold in the least possible time.

These different malls are giving these large number of candy companies shelf space one for a candy company in the morning for another candy company in the afternoon. All

their candy base should be sold in that morning slots, similarly in the afternoon slots and so, many companies are vying for the shelf space.

This is the way these three modules with respect to a candy company works, but these three modules are common with respect to any company. They are called the input modules. So, there are three modules on long term/short term goals that is long and short range goals, then the environmental forecast factors, then the marketing factors all this will tell you which are the ones which you should take into account. Then when you look at all this pull these modules together you come out with what is called a company marketing strategy.

Suppose this middle you put it as a company marketing strategies these input modules feed into this company marketing strategy and come out with outputs. A typical input output map for a company marketing decision looks like you have the input side you have the output side these inputs typically have three modules and all these three modules feed to the company marketing strategy giving to what is called the outputs. What are these outputs? These are characterized by wholesale price that is what is the basic price that the company, that is a base price which the company expects from the sale of these candies, that is his percentage of profits all included already.

Suppose he says that I want a minimum of 20 percent profits on this that comes under these wholesale price only over that you have trade alliances and discounts. Suppose he is giving at this whole price wholesale price at X he has to account for trade allowances and discounts he has to account for sales calls and service, then he has to account for trade advertising and promotion.

Suppose he has joined with the pool of advertisers that is what is called the cooperative advertising alliances then in order to produce these candies he has taken credit let us say all the straight credit policies, then what about the delivery policies, how many hours before this candy to be delivered to this mall for exhibiting in the correct shelf space allocated to it.

All these outputs which you are seeing they are having at an impinging effect on the wholesale price. A candy manufacturer can sell his candy at that particular wholesale price taking into account all these other factors which are coming in. The margin will get jacked up when all these factors are taken into account. Similarly, as I told you a candy

will be preferred by the child depending on its sweetness. Suppose it is not very sweet the child will not like it, suppose it is over sweet also the child is not likely to accept the candy.

Your product characteristics, your packaging characteristics it must be a very attractive package for the child. When the child sees that pack he should he or she should be going in for that candy. He would like to pick that candy up from the last shelf of this marketing slot which is allocated to him at the end that is a candy company at the end. Taking into all taking all these things into account you fix the retail price.

Similarly, a few more things what is a consumer deals I told you three for the price of two, four for the price of three all this going as a incentives it is depend it is really decided upon many times at the end. Suppose your sales are coming down sometimes they increase this intensive, so that within the time allocated all the candies that were exhibited could be sold.

Many times in these large shops like the Thurries or the Dixons you find that in this in this lost this thing within two – three hours you do not find this candy. It was there at 9'O clock at 12'O clock it is not there. So, everything is cleared. So, for a by the time this lunch is over a new candy company comes over to exhibit its waves. So, this consumer advertising and the consumer deals come into play in this whole setup.

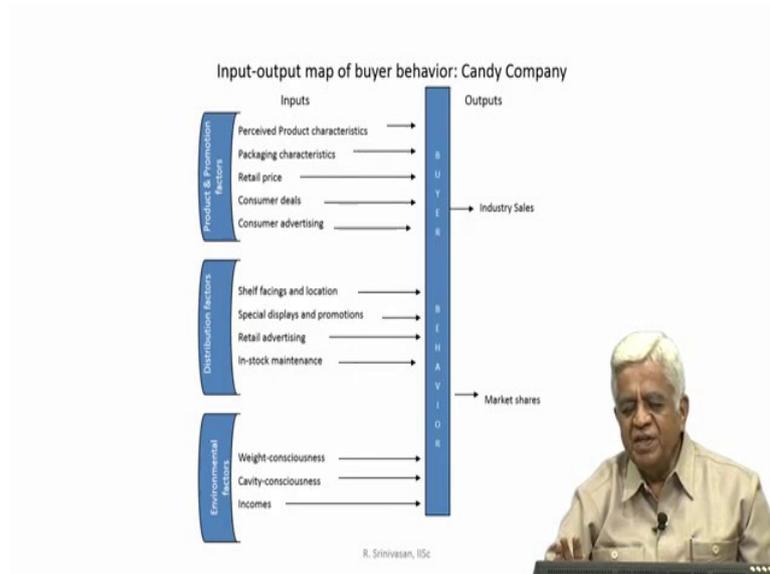
Going backwards any marketing company in order to market it is ways has to have certain inputs has to have these inputs will give rise to certain outputs. What has been exhibited in this slide is the typical input output of a company marketing decision with respect to a candy company and these candies are very popular in the West. So, this candy company is taken as the example for this.

A typical input module will a typical input map will have three modules; one on the long and short range goals, second on the environment forecast factors, third on the marketing factors. Then you have the typical outputs when these feed these input modules feed into the company marketing strategy to give the typical outputs which were exhibited with respect to the candy company ok.

These two modules with respect to the outputs are called the trade marketing mix and the consumer marketing mix. So, on the input side you have three modules on the output

side you have three mix two mixes coming in with respect to the trade marketing mix and the consumer marketing mix.

(Refer Slide Time: 20:00)



How does the buyer behave with respect to these input output maps that is of this candy company. In this in the previous slide we looked at the input output map with respect to the candy company. Now, in this slide we are going to look at the input output map taking into account the buyer that is a child many times the child might not be able to make a decision. On its behalf the decision will be made by the elders parents who are accompanying the child.

What is it that goes into their mind if you look at that the typical this thing which goes into their mind will be about the child this thing health, how is it going to affect the child's health? The typical factors they are going to take into account with respect to their child are likely to be these. Again, there are likely to be three modules. What are the types of modules which are going to come? Look at these modules; one is the product and promotion factors kindly note the type of changes that are coming in. With respect to the candy company itself here in the previous slide we had the long and short range goals.

With respect to the buyer that is the child the decision taken by the parent or the elders they are looking at product and promotion factors. What are the factors that are likely to be involved? The factors that are likely to be involved is the perceived product

characteristics; is it going to harm the child, is it going to be good for the health of the child, from which company is this candy coming in all these types of things which the child which the parent is going to evaluate before allowing the child, all this happens very fast. You see the brand of the candy and the parent is going to make a decision, yes, I am going in for this candy.

The perceived product characteristics, the packaging characteristics, the retail price the consumer deals and the consumer advertising. What we called in the previous this thing as the type of marketing mix that is going to come it is also exhibited by the buyer. Then if you look at the distribution factors which forms the second module, the child is looking at how this candy is exhibited that is the shelf spacing's and the location the special promotions displays and promotions.

Many are fond of advertising their candy in a way that that child's attention will always get focused when it comes by this with a parent towards the end shelf that is where they make the payment, swipe the card or make cash payment whatever it is then the type of retail advertising. Many times', they exhibit small catchy banners, so that the child will never miss that and many times they say we are always having a stock of this candy. It is not going to go out of stock for those three or four hours time which this mall is going to a lot for that particular candy company.

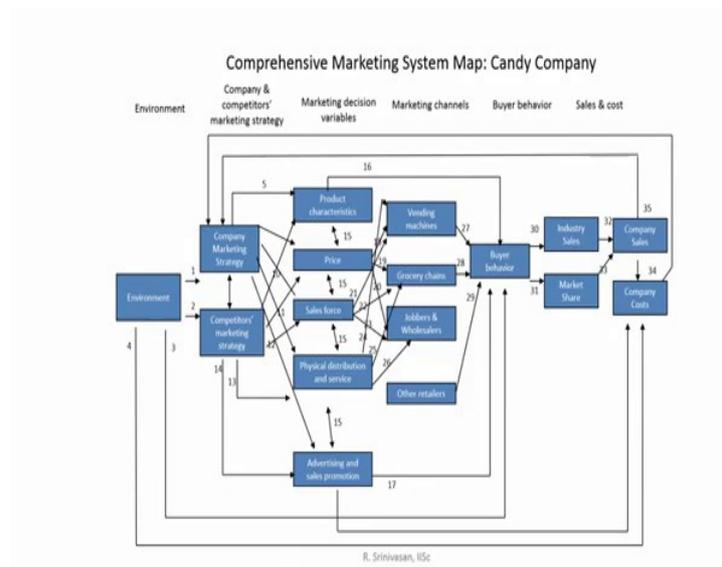
The shelf spacing's the location the special displays and the promotions, the retail advertising and the in-stock maintenance forum what we call the distribution factors. Depending on your company some of these may get altered, but more or less these modules are likely to remain the same. The module on distribution factors again has got four compartments or four sub factors these are the four sub factors. The last one on the environmental factors the parent might be concerned suppose the child were to eat many candies he might become obese.

Weight consciousness the second thing is suppose your child takes many candies it may affect his cavity that is the dental side effect and the last thing is the incomes that is where we mentioned the personal disposable income may not be greatly impinge because this particular candy companies product will generally be affordable by almost all the families in the west whether it is below a particular level what we call now in the Indian context below poverty line and above poverty line. So, even a below poverty line parent

can easily afford these candies and what is the type of typical outputs that you are going to get.

If you look at the typical outputs it will be the sales with respect to the industry that is the industry candy industry as a whole and with respect to the particular company what is the type of market shares that you are getting maybe you get 2 percent or 3 percent of this entire market even that is good for you.

(Refer Slide Time: 27:08)



This is a typical way you get for a company. What did we look at? We looked at two things; one is we looked at the input output map for this candy company from the company's point of view, then we looked at this input output map from the buyers point of view. You combine both of them you get what we call the comprehensive marketing system map for this particular candy company.

This is a wonderfully designed slide where you get in to this entire gamut of players with respect to a company, a candy company almost a ubiquitous product which is exhibited in almost every big store in the West and has is a definite shelf space and a definite time for exhibition as well.

If you look at all this you find in a typical for a typical candy company you are looking at something like 34 compartments making up this comprehensive marketing system map

for the candy company. On the environment side you have 1 and 2 representing the company marketing strategy and the come competitors marketing strategy.

The environment is the feed for the company marketing strategy as well as the competitors marketing strategy. When we look at the typical marketing decision variables which are likely to come into effect you are getting the product characteristics, you are getting price, you are getting sales force, you are getting physical distribution and service and then you are getting advertising and sales promotion kindly look at the linking lines also which are coming in.

When you look at the marketing channels for a typical candy company you can have it by vending machines, you can have it by grocery chains, you can have it by jobbers and wholesalers, you can have it by other retailers and all this is going or inputs to the buyer behavior. Kindly note that you can whether you are exhibiting in the retail shelf space or you are exhibiting your candies through vending machines. All this is going to catch the attention of the child and the child is likely to have or going for different varieties on different days. So, in a way the candy company has to vie for the attention of the child ok.

Now, depending on what you are feeding the child with that is through which marketing channel the buyer that is the child is going to make a purchase of your candy and when the child makes the purchase of the candy you are looking at two things: one is the candy industry sales as a whole and your market share.

Suppose it was 100 units for the entire industry your market share let us say is 3 percent of that then you are sold 3 with respect to a typical 100 sale like that most of these candy companies are vying or in fact, competing for a small market share in the western market and this is how it looks like.

The last part of this comprehensive marketing system map is the sales and cost. The sales with respect to the company, the cost which the company incurs so, this is a typical comprehensive marketing system map; what we have looked at is this map with respect to a ubiquitous product like the candy in the Western market ok.