DR. BABASAHEB AMBEDKAR
OPEN UNIVERSITY
(established by government of gujarat)

BAOU
Education for All

MBA02C201
Semester 2

MARKETING MANAGEMENT

Message for the Students

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On the occasion of the birth anniversary of Babasaheb Ambedkar, the Gujarat government secured a quiet place with the latest convenience for University, and created a building with all the modern amenities named 'Jyotirmay' Parisar. The Board of Management of the University has greatly contributed to the making of the University and will continue to this by all the means.

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> ***"We want the education by which the character is formed, strength of mind is Increased, the intellect is expand and by which one can stand on one's own feet".***

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Prof. Ami Upadhyay
Vice Chancellor,
Dr. Babasaheb Ambedkar Open University,
Ahmedabad.

MBA

SEMESTER-2

MARKETING MANAGEMENT

BLOCK: 1

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Dr. Babasaheb Ambedkar Open University

(Established by Government of Gujarat)

MARKETING MANAGEMENT

SEMESTER-2

BLOCK

1

BLOCK

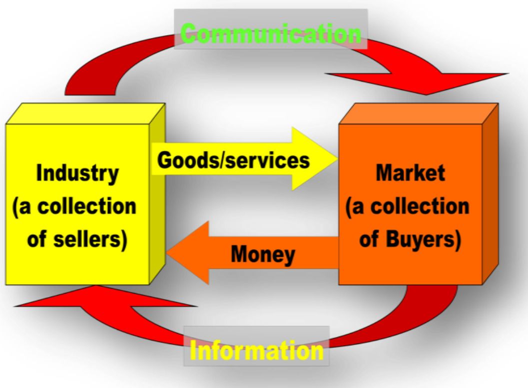
2

UNIT-1 MARKETING MANAGEMENT

1.1 INTRODUCTION

Marketing can be defined as any social and managerial process through which individuals and groups achieve what they need and want through creating, offering and exchanging products of value.

❖ UNDERSTANDING MARKETING.



There are two sides or parties in the system of marketing. One side is known as industry, i.e., a collection of sellers. The other side is known as market, i.e., acollection of buyers. The industry is liable for production or manufacturing of goods and providing services. The market is liable for purchasing and consumption.

There are two exchanges going on between these sides. One exchange is goods / services vs. money (monetary exchange) or other goods / services (barter exchange). The industry produces goods and provides services to the market and inexchange of that goods or services, market provides money to the industry. The money provided to industry has a part of profit. To get goods and services is the objective of the market while profit maximization and ultimately wealth maximization is the objective of the industry. By exchanging this way, both accomplishes their objectives.

The other exchange involves communication vs. information as shown in the picture. The industry side provides communication to the market and in exchange of that, theindustry takes information. The communication from the industry side is known as promotion and the information taken by the industry is usually in the form of feedback. This exchange helps in accomplishment of primary objectives of getting goods or services and getting profit of both the sides.

1.2 CORE CONCEPTS OF MARKETING.

To understand marketing, we need to understand the basic concepts of marketing. The core concepts of marketing start with the need and goes further to marketers and ultimately in a circular fashion, it comes back to needs. Let us understand how it moves in a circular motion.

1. Need, want and demand:

Every human being has a need. Need is a basic instinct. We usually say we need something. If you try to count how many things we need in a day, you may count various things. Need can be said as deprivation of some basic satisfaction. For example, I am hungry means I need some food to eat. That is, food is my need. When I am tired means, I need to rest.

But in usual terms, whatever we need, we don't call them a need. For example, if you are hungry in a college, you go to canteen and ask for pizza. At that time, you don't say, you need pizza. Instead, you tell the person that you want pizza. The word ‘want’ usually takes place of the word ‘need’. This is because we want some specific food. Want can be meant as a specific need. For example, I need to eat some food but I want pizza.

Need or want alone can't provide a good or service to a person. It must be backed by purchasing power. Demand is backed by purchasing power and willingness to spend on some particular item. Here, the question is, what is one willingness to spend on some particular item? The willingness to spend on some particular item means preferences to spend the resources on the item or product over others. The resources are limited and our willingness to spend is unlimited, i.e., desires are unlimited. How to spend our resources like moneyor time is important in marketing. For example, I must have some rupees in my pocket to purchase some food provided I don't have to spend them on other items. It means, I wish to give preference to that item over others.

2. Product:

Your demand will give birth to the satisfaction of need. The need satisfaction can be done through product. Product can be interpreted as anything that can satisfy a need or want and has the market value. Product can be classified in three parts as follows:

(1) Goods

(2) Services

(3) Ideas

There are basically four differences between goods and services.

i. Goods are tangible while services are intangible.

ii. Goods are separable from its producer while services can’t beseparated.
iii. Goods are durable or perishable while services are perishable.

iv. Goods are standard normally while services are variable.

Services go along with the providing of it while idea can be given at a point oftime.

3. Value, Cost and satisfaction.

You don't purchase the products without thinking. Right? What is that thinking? Thinking is evaluation that whether the product is beneficial to me or not? One thinks of benefits against cost value. Value can be benefits divided by cost. Benefits include real (utility) benefits and benefits of emotions while costs include financial cost, cost of time and energy for searching, deciding, purchasing, using and disposing of the product and psychic cost. If the value is equal to cost or more than cost than and only then you purchase the product. If value is less than the cost, you don't purchasethe product usually. The purchase and consumption of products gives need fulfilment. The level of need fulfilment is known as satisfaction. The satisfaction involves all types of values and costs as stated above.

4. Exchange and transaction:

Exchange is obtaining some product by offering something else, i.e., goods / services / ideas / money. Exchange is a whole process from asking about the use and price of product, negotiations and bargaining, settlement of contract and post purchase services and others. Transaction is a part of exchange which is trade of values between two parties. It is like ‘give and take’.

5. Relationship and network:

Relationships and networks are built by the seller’s side to buyer’s side for better exchange and future exchanges. It can be with all stakeholders of the organization. Relationships can build networks of business that ultimately serve to the objectives of the organization.

6. Market and marketer:

Market is defined in various ways like a place, an assembly, an organization, an area of operation, a process or a commercial activity. Marketer is a side / party here. We will understand the concepts in detail in the next parts. Every marketer as a side or party even has some needs and wants and thus the cycle of need to marketer continues.

1.3 UNDERSTANDING OF MARKETS, MARKETING AND MARKETING MANAGEMENT

If you think of a market, probably a group of people exchanging things and money may be visualized. The most common concept of the market is a physical place. A physical place where exchanges take place. But several modern concepts are also there that give newer concepts of market and move away from the concept of a physical place. From economists' perspective, market refers to the purchase and sale transactions of a commodity and the making of its price. Used in this way, market refers to countless decisions made by producers of a product (the supplyside of the market) and consumers of a product (the demand side of the market). The both decisions together determine the price level of the commodity. Here, the market term is not attached to any geographical area.

From institutional economists' perspective, market is a type of institution that exists to facilitate exchange and transactions, allocation of resources like goods and services between buyers and sellers. More competitive markets are more efficient in coordination by reduction in the cost and risk in transactions.

From the business perspective, the market refers to explain the groups of individuals or organizations that make up the pool of actual and potential customers for their products. These groups fall into one or more of the categories like geographic, demographic, socioeconomic, psychographic, behavioural or sectoral.

Now, let us understand various types of markets which will make the concept of market more clear.

❖ **<u>Types of markets:</u>**

There are various types of markets. The list can go long but, the important types ofmarket are as given below.

1. Physical market vs. Virtual market. The physical market is a physical set up where buyers and sellers can meet. For example, a shopping mall or retail store. The virtual market is a set up designed virtually using the Internet. Here, physical meet is not there but the exchange process is done using theinternet.

2. Auction market: Various bidders are there in the auction market and highest bidder will exchange the products with money in the auction market.

3. Producers' market vs. Consumers' market: The market is for intermediate goods for producers. Here, the raw materials are sold to other producer in order to make other products. The consumers' market is the market of products for the final consumption.

4. Black market vs. White market: The black market is a market of products which are sold illegally. The white market is the market of products soldlegally.
5. Knowledge market: The knowledge market is the market of information and knowledge.

6. Financial market: The financial market deals with the exchange of financial instruments. It includes stock market where shares and stock are exchanged, bond market, foreign exchange markets, future markets etc.

7. Wholesale vs. Retal market: The wholesale market provides the products in bulk usually to retailers while the retail market provides the products unit wise and usually to consumers.

8. Bullion market: The bullion market is the market of goods which are for investment like gold and silver.

9. Regional vs. National vs. International market: The regional market serves to a region; the national market serves to the total nation while international market serves to more than a nation.

10. Short time vs. Long time market: According to time in which products are there in the market, the classification can also be done.

Market can be classified in various ways. Interestingly, marketing can also be viewed as a process or procedure through which markets operate. The term market potential is also used many a time in marketing references. The term denotes the maximum market size that will buy goods when subjected to the greatest marketing efforts that a company can make. Beyond market potential, the costs outweigh the gains. In the given conditions, the market potential is therefore the upper limit for a marketplace and sales.

Marketing management is the management of marketing activities. It involves planning, organizing, leading and controlling the activities related to marketing. Marketing management employs the techniques and methods of management in organizational perspective to cater to the objectives of marketing. It smoothens the process of exchange and need fulfillment.

1.4 NATURE, SCOPE AND IMPORTANCE OF MARKETING:

❖ Nature of Marketing

To study the nature of any discipline means to study the essential characteristics ofit. The major points in the nature of marketing are as follows:

- The nature of marketing shows that marketing is a process, which has inputs, process and outputs.
- It is an integrated process. It is not independent, aloof, and solitary process. It involves several activities that have interrelations among them.
- Marketing is a social process which involves people, relations and communication among them.
- It is also a managerial process. The principles, methods and functions of management equally apply to marketing. Marketing also has planning, organizing, directing, implementing, controlling and coordinating.
- Marketing is customer oriented. The customer is central to market and marketing without which marketing cannot take place.
- The base of existence of marketing is the needs and wants of the customer.

- Marketing is a system oriented process. Rather, marketing itself is a system.
- Marketing involves exchange. The exchange of products, i.e., goods, servicesand ideas is the core function of marketing.
- Marketing may lead to satisfaction of people in the society.
- Marketing has its own environment, i.e., set of factors affecting marketing. Various environmental factors affecting marketing include cultural, social, economic, legal, political and international factors. The competitors, suppliers, customers, substitutes, employees etc. factors also affect marketing.
- Marketing has its own set of objectives within a firm or an organization.
- Marketing is omnipresent, i.e., it is present everywhere.

Scope of Marketing

Usually there can be 10 types of products that marketers market. These products and their marketing can be viewed as the scope of marketing.

1. Goods: Goods are tangible, separable, durable / perishable and usually standard products that marketers market. If the goods are handmade or made one by one, then they may not be standard.

2. Services: Services are intangible, inseparable, perishable and variable products that marketers market. We have already understood the characteristics of services which makes them different to goods.

3. Ideas: Ideas are one time said which creates a different product, process, lifestyle, living standard or way of living. Ideas can also be marketed.

4. Experiences: Experience at some good place or area (natural or artificial) is also marketed.

5. Events: Time based events can also be marketed.

6. Persons: Marketing of persons who has some unique or different image in the minds of society can also be marketed. Celebrity marketing is used since long in marketing and specifically in advertising.

7. Places: Places like nations to some local regions are marketed to tourists, factories or residents.

8. Properties: Rights of ownership on land or financial properties can also be marketed.

9. Organizations: Organizations constantly try to create a favourable image inthe minds which is a part of marketing.

10. Information: In the information age, information became a product which can also be marketed.

There are several areas which are to be studied for studying marketing like psychology, sociology, behaviour, mathematics, accounting, costing, finance, moral science, ethos, culture, and management among others. There are several activities which a marketer needs to do for marketing such as marketing research, advertising, understanding consumer behaviour, understand culture and subculture, understanding social dimensions, industries and industrial behaviour, etc.

- **Importance of Marketing.**

Marketing is useful to everybody. In organizations and society, the marketing activities is important for producers, customers and society as given below.

1. **Importance to the Producers**

   Marketing and marketing research activities tell the producer that how much to produce and what to produce. The activities also tell about demand and supply in the market and future trends. Without forecasting and knowing about product, price or geographical convenience of the consumers, it becomes almost impossible to plan. Italso helps in decision making. Usually, decisions in an organization are based on environmental factors and other variables. Decision making is much helped by marketing activities like marketing research, planning, analysing, selling, promotional activities, etc. Marketing activities include promotion and distribution. Profits are increased by these activities. The images of corporate, organization and product are enhanced with advertising, publicity, personal selling and sales promotion activities. It is also enhanced with other marketing activities. The value addition by various marketing activities like analysing product, price and other related things, planning marketing programs, etc. are much useful for producers. The firm and society communicates through marketing. Activities of marketing initiate and / or increase the communication.

2. **Importance to society.**

   Newer products, cutting prices and other competitive activities provide better products to consumers at less price. Marketing activities like selling, advertising, researching etc. Provide direct employment to so many people while indirectly it also helps in employment generation like distribution. During recession or depression, marketing provides some assurance that some sales will be done and organization sustainability is protected. Marketing by providing standard of living and employment generation, helps in increasing national income. By increasing volume of distribution, the cost of distribution is reduced by marketing. Marketers became dynamic by competitive environment and thus, they developed the capacities to sustain against changes in the economy and market.Importance to consumers.

Because of competitive environment generated with the help of marketing, consumers get what they wish in terms of standardization of quality and quantity. Caveat emptor means ‘buyer beware’ while caveat vendor means ‘ provider beware’. This became an increased reality with the arrival of consumer protection act 1986 in India. Consumers’ desires and wishes are all important for organizations. Organizations became consumer centric. Thus, customers’ words became rule. Thus, we can say that customer is the uncrowned king of the market.

1.5 MARKETING CONCEPT AND ITS EVOLUTION. PRODUCTION, PRODUCT, SELLING, MARKETING AND SOCIETAL CONCEPTS.

As the market has changed, so has the way the company deals with the marketplace. The company orientation towards marketplace deals with the concepts which a company may apply while targeting a market. There are basically five different orientations which a company takes towards the marketplace.

1. Production Concept:

This is the oldest concept in evolution of marketing when supply was less than the demand. In this concept, the company mainly tries to increase production irrespective of demands of the customer. The reason that production was given major importance was because of ‘Says Law’ that is propounded by French economist Jean Baptiste Say. The law talks about supply and demand. The law says that supply creates its own demand. If a product is produced, somebody will wish to buy it today or tomorrow. In that era, sales were majorly done by traveling traders or merchants and means of communication were limited. Distribution of products was also a problem. The supply was less compared to demand and that was the reason people were purchasing all the products manufactured. The production concept is almost extinct now with companies paying more attention to the customer. The marketer’s task here is to maximize production with less costly products and distribution.

2. Product Concept:

The product concept arrived after the production concept. The product concept says that customers will always buy products which are better in terms of quality performance and features. In order to get the best products in the market, organizations were looking towards research and development activities. It was believed that the idea of better the designs, better the tastes; better the colours, better the features would rule the market. The marketer’s task here is to provide the best possible quality to the market. The concept is especially applicable in terms of electronics and other techno gadgets today but, today, manufacturers or marketers look to consumers instead of research and development department alone.

3. Selling Concept:

When product concept couldn't work alone in the market, the marketers tried to go aggressive and the selling concept arrived. The selling concept believes that customers will not buy products unless persuaded to do so. As we know, this is true even today in case of certain products such as insurance. The marketer’s task here is to sell aggressively as customers will not buy enough of the products if left alone. The concept aims at selling what organization makes rather than produce what consumer needs and wants. To sell aggressively, marketers need to focus on promotion and efforts should be done to get the end process, i.e., exchange and the end product, i.e., profit. Aggressive advertising, sales promotion, publicity and personal selling is usually used to persuade the consumer.

4. Marketing Concept:

After the selling concept, the marketing concept took place because consumers' needs and wants were receiving importance. Unlike the selling concept, the marketing concept focuses on products which consumer needs and wants rather than selling what the organization makes. After marketing research of knowing what a consumer needs and wants, production and selling of needed or wanted products can be materialized. The concept focuses on consumer satisfaction rather than profits. For marketing, knowing consumer behaviour, doing marketing research, setting the right price and using the right promotion tools are required. If the total population does not need the same product, market segmentation and positioning are used. Branding and differentiating the products are used as strategy here. In a way, delivery of value is important for marketer and that may create a win-win environment formarketer and consumer.

5. Societal Marketing Concept:

The most modern concept in all five concepts is societal marketing concept. As we have seen in the marketing concept, both the parties, i.e., consumer and marketers are happy with the marketing concept. But the society as third party is also considered in the societal marketing concept. The societal marketing concept leads to a company orientation which believes in giving back to the society what it had received from the society. This concept believes that the company is profiting because of society and hence it should also take measures to make sure the society also benefits from the company. The marketer’s task here is to keep in viewsociety at large with customers. Here, all three parties, i.e., consumer, society and marketer should create all win environment.

❖ CHECK YOUR PROGRESS

1. What is marketing? Describe core concepts of marketing.
2. What is marketing management? Describe nature and scope of marketing.
3. Describe importance of marketing to consumer, society and producer.
4. Describe evolution of marketing, i.e., company orientations towards marketplace.

UNIT-2 MARKETING MIX AND ENVIRONMENT

2.1 MARKETING MIX–AN INTRODUCTION

As we have seen, marketing is a social and managerial process through which individuals and groups achieve what they need and want. To cater to the needs and wants, marketers use various tools like exchange of goods / services vs. Money / other goods and services and the tools of communication. For example, if a consumer needs to eat, the marketer provides some food with or without servicesand ambience and in exchange of that the marketer takes the money from the consumer. These tools are known as marketing mix. The marketing mix can be viewed as the set of marketing tools that an organization uses to pursue its marketing objectives.

James Culliton described the marketing manager as a mixer of ingredients. In 1964, Neil Borden wrote an article titled "The Concept of the Marketing Mix". Borden explained various concepts under the name of marketing mix. E. Jerom McCarthy was an American professor who termed these tools to "4 Ps", that is, four words starting with the letter P. He termed these 4 Ps in his book *Basic Marketing: A Managerial Approach* in 1960. McCarthy's four Ps of marketing are:

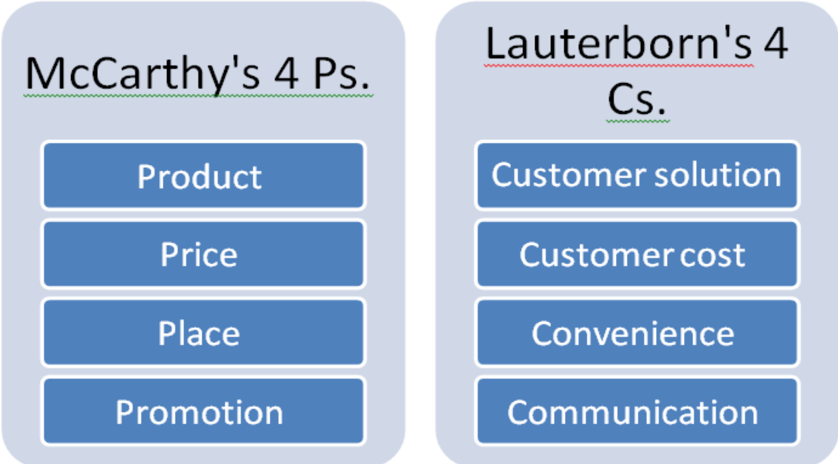
- Product
- Price
- Place
- Promotion

In 1990, Bob Lauterborn tried to view these 4 Ps from consumers' angle. He suggested that the sellers' four Ps are equivalent to customers' four Cs. They areas given below.

- Product – customer solution
- Price – customer cost
- Place – convenience
- Promotion – communication

Figure 1 also depicts the Lauterborn's 4 Cs against McCarthy's 4 Ps.

Figure 1. Lauterborn's 4 Cs against Mc Carthy's 4 Ps.



But, till today in marketing classes world over, 4 Ps are known as marketing mix for marketing of goods and they are being taught. Let us study them.
Each of the four tools are described in detail as follows.

1. Product: A product can be held as anything that can satisfy a need or want and has a market value. There are a number of product decisions that a marketer has to take as given below.

   a. Product variety
   b. Quality
   c. Design
   d. Brand name
   e. Features
   f. Sizes
   g. Services
   h. Warranties
   i. Returns.
   j. Packaging, etc.

Each decision may include several sub decisions. For example, a brand name decisions may include an umbrella brand name or individual brand name such as every product from Apple has apple brand name and the same brand logo while products from Hindustan Unilever Limited has different names for each brand like Lux, Liril, Hamam, etc. It also includes single brand name or dual brand name. Every product from Microsoft has either Microsoft word or M. S. Word is written before the individual brand name. The brand decisions include many other decisions too.

2. Price: Price is the exchange value of the product. Price decisions include.

   a. List price
   b. Discounts
   c. Payment period
   d. Allowances
   e. Credit terms, etc.

As discussed in the product decisions, here also, each decision includes sub decisions.

3. Place: A Place decision can be said as decisions for channels through which products reaches to consumers. Place decisions include
    a. Channels
    b. Coverage
    c. Locations
    d. Transport
    e. Inventory
    f. Physical distribution, etc.

As mentioned earlier, here also, each decision includes sub decisions.

4. Promotion: Promotion is communication to customer favouring product, organization or related things. Promotion decisions include.
    a. Sales promotion
    b. Advertising
    c. Public relations
    d. Publicity
    e. Sales force
    f. Network marketing
    g. Direct marketing, etc.

Here too, each decision includes sub decisions.

The above tools are for marketing of goods. Service marketing is a bit different from this. Service marketing, according to American Marketing Association, can be seen as an organisational function and a set of processes for identifying or creating, communicating, and delivering value to customers and for managing customer relationship in a way that benefit the organisation and stake-holders.

For service marketing, there are more three Ps in addition to the above given four Ps. They are:

5. process
6. physical evidence, and
7. people

Figure 2 shows 7 Ps of service marketing.

The additional 3 Ps of service marketing are explained here.

1. People: Services are inseparable from its provider. The service providers form the people of service marketing mix.

2. Physical evidence: There is an environment or place needed for providing the service. The services are provided with many physical elements. The tangible elements that facilitate the performance of the service are known as physical evidence.

3. Process: The process element includes the whole service delivery. In the service marketing, the end product only is not the goal or achievement for any consumer. It is the process. For example, how a consumer get the food product is also important with the food product itself.

There are many Ps developed after abovementioned Ps. They are relatively new and cannot establish their importance as the above-mentioned Ps. They are pace, politics, power, performance etc. However, the basics include four Ps for goods marketing and in addition to that, three more Ps for service marketing.

2.2 MARKETING ENVIRONMENT–MACRO AND MICRO COMPONENTS AND THEIR IMPACT ONMARKETING DECISIONS.

Marketing environment.

The marketing environment includes all people, institutions, factors and drivers, which influences the marketing management's ability to develop and maintain a successful relationship with its target customers. It also involves to generate and accomplish successful transactions with customers.

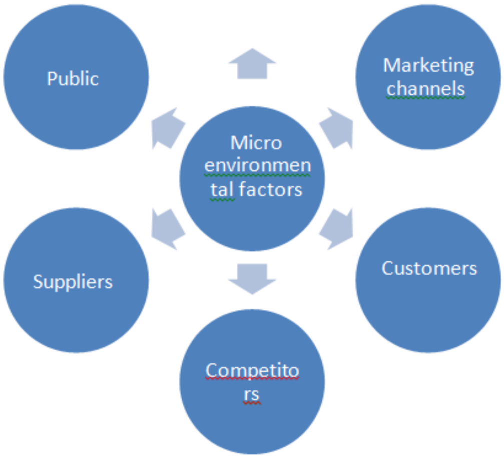
Marketing environment is that which is external to the marketing management function, largely uncontrollable, potentially relevant to marketing decision making, and changing and / or constraining in nature. The marketing environment is more important to management today than ever before; this is both because the rate of environmental change has increased and because there are more types of importantenvironmental changes. New types of environmental change have come to thefore, economic factors go to the core business activity and historically they have always been important to marketing management. Thus, we can say that the marketing environment factors are dynamic.

For knowing the new factors of environment, the scanning of the environment is required. Environment scanning can be viewed as the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even a total market.

Environment scanning includes environment monitoring, environment forecasting and environment assessment. Environment monitoring includes observing the environment and its factors while environment forecasting includes estimating and projecting the future environment while environment assessment includes the analysis of monitoring and forecasting to convert into valued decision making.

There are many criteria based on which environment can be classified. Environment can be micro-environment or macro-environment. It can be controllable environment or uncontrollable environment. It can be internal environment or external environment. The monitoring, forecasting and assessment is done on the criteria and the basis of classification. If the criteria for classification of the environment is taken as micro and macro, we need to identify what is micro and what is macro. The word micro indicates small and the word macro indicates large. Micro environment factors include those factors that affect only one organization or even at lesser levels. Macro environment factors include those factors which affect industry as a whole or at bigger levels. Micro environment factors include following factors. Figure 3 also indicates various microenvironmental factors.

Figure 3. Micro environmental factors.



1. **Organization's Internal Environment:** The organization has its internal environment. This includes people, structure like departments and levels and resources which affects the marketing department's decision making.

2. **Marketing channels:** The marketing channels are composed of different institutions that facilitate the transaction and the physical exchange. Marketing channels perform 3 important functions–transactional, logistical, and facilitating. The marketing channels enhance value to the marketing.

3. **Customers:** Customers also play an important role in decision making of the marketing. Customers can be purchasing for other production or consumers or for reselling. Their needs and wants are on the top of marketing.

4. **Competitors:** The competition can change and have changed many marketing decisions in the world. How competitors serve the consumers may change the decisions of the marketing department of any organization.

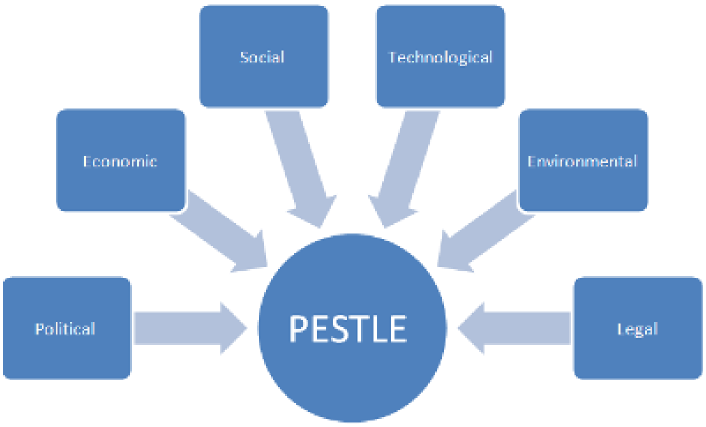
5. **Suppliers:** The suppliers provide the organization with raw materials and other accessories. The quality, quantity and price decisions are based on suppliers largely.

6. **Public:** Public at a large can impact the marketing decisions. The care for society adds value and several time leads to societal marketing as we studied in previous chapter. The financial, media, government, citizen action,

andlocal, general, and internal publics are included in the public.

One of the popular ways of scanning the macro environment includes PESTEL analysis. The PESTEL analysis includes Political, Economic, Social, Technological, Environmental and Legal factors to be analyzed. The figure 4 indicates the influences of various macro environment factors (PESTLE) on marketing decisions.

Figure 4. PESTLE analysis.



Let us understand the PESTLE factors in detail.

- **Political factors** are how and to what degree a government intervenes in the economy. The areas included in political factors are labour law, tax policies, environmental law, trade and tariffs and regulations, political stability and related factors, etc. The merit goods, i.e., the goods that should be providedto the society and the demerit goods, i.e., the goods that shouldn't be provided to the society are included in political factors. The political factors have an influence on marketing as the overall product-price-profit-production cycle also depends upon the political factors such as regulations, laws, political stability,etc.

- **Economic factors** include economic growth, interest rates, exchange rates, the inflation rate, etc. The economic factors have influence on the marketing process as price fluctuations to product growth all depends on economic well being of the society. These factors may also have a direct or indirect impact on a company which is normally long term impact. This is because it affects the purchasing power of consumers and could possibly change demand/ supply models in the economy.

- **Social factors** include the social and cultural aspects. This includes the demographic characteristics, norms, customs and values of the population within which the organization operates. This includes population trends such as the population growth rate, age distribution, income distribution, career attitudes, safety emphasis, health consciousness, lifestyle attitudes and cultural barriers. These factors are important for a marketer to attract or retain several customers as well as employing local workforce in sales management.

- **Technological factors** include how technology changes, the rate of technological change, R&D activity, automation, computerization, innovation in technology, etc.The technology several times defines the success or failure of marketing. The technology directs innovation, discovery, cost reduction, quality enhancement, outsourcing, etc. This factor also helps in decisions such as whether or not to enter or not certain business, forecasting the future of business as a whole as well asfuture of marketing, levels of competition in the market, up gradation of the customers, etc.

- **Environmental or ecological factors** include climate, climate change, weather, greenery, etc. The ecological factors have a great impact on rain too which is very important for farming, especially in India. This factor also has an influence on various other industries like tourism, insurance, etc. In addition to that, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer. This has led to many companies getting involved more in practices such as corporate social responsibility, sustainability and green movements. Further, carbon credit and similar contracts with global environmental variables several times affect global marketing process.

- **Legal factors** include various kinds of laws such as the Companies Act 1956, the Contract Act 1872, the Negotiable Instruments Act 1881, the Monopolies and Restrictive Trade Practices Act 1969, the Competition Act 2002, the Essential Commodities Act 1955, the Environment (protection) Act 1986 among others. The law framing is somewhere overlapping with political factors but the implementation and jurisdiction part of the laws are also important for marketing process.

In recent times, in addition to PESTEL analysis, one more "E" is added, that is, the PESTEL analysis became the PESTELE analysis. The added "E" is for Ethical factor. The PESTELE is also known as STEEPLE analysis. The factor includesethical principles and moral or ethical problems that can arise in a business. It considers things such as Fair Trade, Slavery Acts and Child Labour, as well as Corporate Social Responsibility (C. S. R.) where a business contributes to local orsocietal goals such as volunteering or taking part in philanthropic, activist, or charitable activities.

❖ CHECK YOUR PROGRESS

1. What is marketing mix? Describe 4 Ps of marketing mix.
2. Describe the service marketing mix.
3. What is marketing environment? Describe factors of microenvironment.
4. Describe PESTELE analysis.

UNIT-3 MARKETING PLANNING AND STRATEGIES

3.1 INTRODUCTION

For the success of any product or service, proper planning is required in several perspectives and how to prepare formal marketing plan and what should be the ingredient of it so it can guide the marketing activities. Developing the right marketing strategy over time requires a blend of discipline and flexibility. Firm must not only stick to a strategy but also find new ways to constantly improve and find out innovative ways to satisfy the customers.

The formal marketing plan sample is an excellent resource because it provides an overview of the types of decisions a marketer might make in an effort to create customer value. It provides sufficient class time covering the distinctions between strategy and tactics. Finally, this chapter contains a case analysis using Marketing Plan Pro software that may present some difficulties to students unfamiliar with its use. It is important to note that the objective of the inclusion of this software is to familiarize students with the many aspects of the marketing plan—not for them to become experts in the use of this specific software. The instructor may want to emphasize its usage at his or her discretion.

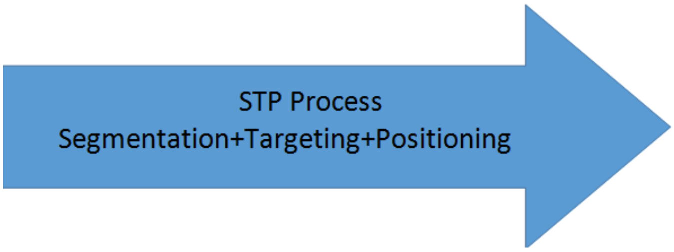
3.2 STRATEGIC BUSINESS PLANNINGMARKETING STRATEGY

The heart of marketing strategy is STP process. It means segmentation, targeting and positioning. In present era of marketing STP is a fundamental concept for success. The brand that is not able to position itself in the mind of customer generally ends up as a generic product and fails to compete in the market.

The steps in STP are commonly referred to as a process, with segmentation being conducted first, then the selection of one or more target markets and then finally the implementation of positioning.

Although the letters STP represent three important concepts in marketing, they are essentially one integrated process and work together to deliver a top-level marketing strategy, which is then executed by the marketing mix.

The goal of the STP process is to guide the organization to the development and implementation of an appropriate marketing mix as shown in following diagram.



As you can see from the above diagram, the STP marketing process progressively defines the marketing strategy decisions for a firm. At the outset, the firm needs to consider what market they are competing in which is addressed by the segmentation of a defined market.

The market segmentation task allows attractive and viable segments to be identified which then allows the firm to further fine-tune its marketing decisions and answer the question, where to compete? And the final part of the STP process is the identification of a suitable positioning for the product or brand within the selected target market which answers the question, how to compete?

The detailed definition and explanation of the implication and strategy making will come later in the modules.

❖ **STRATEGIC FRAME OF REFERENCE**

The detailed STP process can guide the simple marketing question of the firm.

This is called frame of reference which covers the basic questions such as where to compete? How to compete? The STP process will give the answer automatically. For example, the Spark of General Motors is the car in the most potential car segment of below 3.5 lacs and positioning itself as compact car. From this, the marketers will get detail ideas

3.3 MARKETING MIX

After a detailed STP process, the next part is marketing mix. The marketing mix popularly known as four Ps, the concept given by McCarthy. The four Ps stand for product, price, place and promotion. The 4Ps of marketing is a model for enhancing the components of your 'marketing mix' – the way in which you take a new product or service to market. It helps you define your marketing options in terms of price, product, promotion, and place so that your offering meets a specific customer need or demand.

The Marketer needs to create a product that a particular group of people want, put it on sale some place that those same people visit regularly, and price it at a level which matches the value they feel they get out of it; and do all that at a time they want to buy.

In today‘s era of marketing, it is very difficult to understand what customers want and identify where they do their shopping. Then you need to figure out how to produce the item at a price that represents value to them and get it all to come together at the critical time.

The integration among all the strategies is very important.Even if just one element wrong, it can spell disaster. You could be left promoting a car with amazing fuel economy in a country where fuel is very cheap, or publishing a textbook after the start of the new school year, or selling an item at a price that's too high – or too low – to attract the people you're targeting.

The marketing mix is a good place to start when you are thinking through your plans for a product or service, and it helps you avoid these kinds of mistakes. In this article and in the video, below, we'll discover more about the marketing mix and the 4Ps, and how you can use them to develop a successful marketing strategy.

3.4 VALUE ORIENTED MARKETING:

The task of any business is to deliver the customer value at a profit. In a hypercompetitive economy with more number of informed buyers faced with plentiful choices, a company can win only by fine-tuning the value delivery process and choosing, providing, and communicating superior value.

❖ THE VALUE DELIVERY PROCESS

The conventional view of marketing is that the firm makes something and then sells it, with marketing taking place in the selling process. Companies that subscribe to this view have the best hope of succeeding in economies marked by goods shortages where consumers are not fussy about quality, features, or style—for example, basic staple goods in developing markets. This conventional view will not work, however, in economies with different types of people, each with individual wants, perceptions, preferences, and buying criteria. The keen competitor must design and deliver offerings for well-defined target markets. This inspired a new view of business processes that places marketing at the foundation of planning. Instead of emphasizing making and selling, companies now see themselves as part of a value delivery process. We can divide the value creation and delivery sequence into three phases. First, choosing the value represents the ―homework marketing must do before any product exists. Marketers must segment themarket, select the appropriate target, and develop the offering‘s value positioning. The formula―segmentation, targeting, positioning (STP) is the core of strategic marketing. The second phase is providing value. Marketing must determine specific product features, prices, and distribution. The task in the third phase is communicating the value by utilizing the sales force, Internet, advertising, and any other communication tools to announce and promote the products. The value delivery process begins before there is a product and continues through development and after launch. Each phase has cost implications.

3.5 THE VALUE CHAIN

Harvard's Michael Porter has proposed the value chain as a tool for identifying ways to create more customer value. According to this model, every firm is a synthesis of activities performed to design, produce, market, deliver, and support its product. The value chain identifies nine strategically relevant activities—five primary and four support activities—that create value and cost in a specific business.

Manufacturing companies create value by acquiring raw materials and using them to produce something useful. Retailers bring together a range of products and present them in a way that's convenient to customers, sometimes supported by services such as fitting rooms or personal shopper advice. And insurance companies offer policies to customers that are underwritten by larger re-insurance policies. Here, they're packaging these larger policies in a customer-friendly way and distributing them to a mass audience.

The value that's created and captured by a company is the profit margin: Value Created and Captured – Cost of Creating that Value = Margin

The more value an organization creates, the more profitable it is likely to be. And when you provide more value to your customers, you build a competitive advantage.

Understanding how your company creates value and looking for ways to add more value are critical elements in developing a competitive strategy. Michael Porter discussed this in his influential 1985 book *CompetitiveAdvantage* in which he first introduced the concept of the value chain.

A value chain is a set of activities that an organization carries out to create value for its customers. Porter proposed a general-purpose value chain that companies can use to examine all of their activities and see how they're connected. The way in which value chain activities are performed determines costs and affects profits.So, this tool can help you understand the sources of value for your organization.

❖ PRIMARY ACTIVITIES

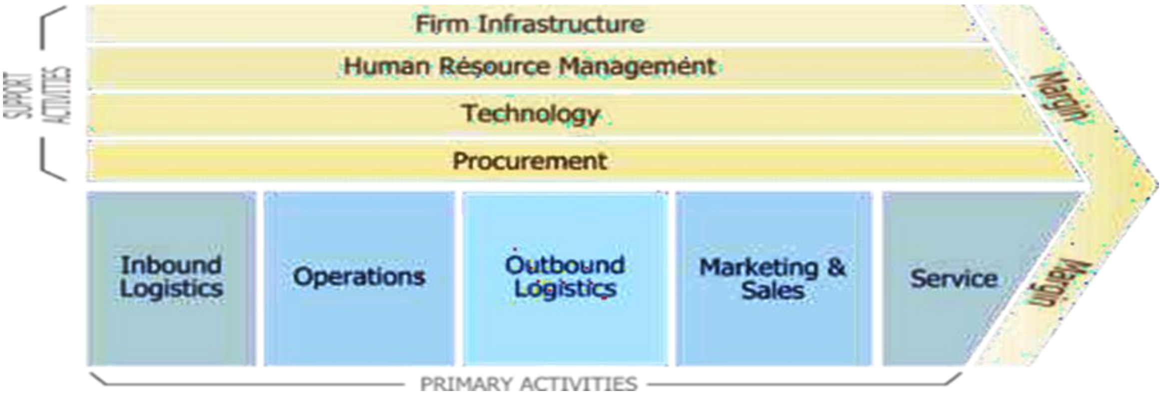
Primary activities relate directly to the physical creation, sale, maintenance and support of a product or service. They consist of the following:

- Inbound logistics – These are all the processes related to receiving, storing, and distributing inputs internally. Your supplier relationships are a key factor in creating value here.
- Operations – These are the transformation activities that change inputs into outputs that are sold to customers. Here, your operational systems create value.
- Outbound logistics – These activities deliver your product or service to your customer. These are things like collection, storage, and distribution systems, and they may be internal or external to your organization.

- Marketing and sales – These are the processes you use to persuade clients to purchase from you instead of your competitors. The benefits you offer, and how well you communicate them, are sources of value here.
- Service – These are the activities related to maintaining the value of your product or service to your customers, once it's been purchased.

❖ SUPPORT ACTIVITIES

These activities support the primary functions above. In the above diagram, the dotted lines show that each support or secondary activity can play a role in each primary activity. For example, procurement supports operations with certain activities, but it also supports marketing and sales with other activities.



- Procurement (purchasing) – This is what the organization does to get the resources it needs to operate. This includes finding vendors and negotiating the best prices.
- Human resource management – This is how well a company recruits, hires, trains, motivates, rewards, and retains its workers. People are a significant source of value, so businesses can create a clear advantage with good HR practices.
- Technological development – These activities relate to managing and processing information as well as protecting a company's knowledge base. Minimizing information technology costs, staying current with technological advances, and maintaining technical excellence are sources of value creation.
- Infrastructure – These are a company's support systems and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.

Companies use these primary and support activities as ‘building blocks’ to create a valuable product or service.

Strong companies are reengineering their workflows and building cross-functional teams to be responsible for each process. At Xerox, a Customer Operations Group links sales, shipping, installation, service, and billing so these activities flow smoothly into one another. Winning companies excel at managing core business processes through cross-functional teams; AT&T, Lexis Nexis, and Pratt & Whitney have reorganized their employees into cross-functional teams;

cross-functional teams exist in non-profit and government organizations as well. To be successful, a firm also needs to look for competitive advantages beyond its operations, into the value chains of suppliers, distributors, and customers. Many companies today have partnered with specific suppliers and distributors to create a superior value delivery network, also called a supply chain.

3.6 CORE COMPETENCIES

A core competency is a concept in management theory introduced by C. K.Prahalad and Gary Hamel. It can be defined as 'a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace' and therefore are the foundation of companies' competitiveness.

Core competencies fulfil three criteria

1. It should provide potential access to a wide variety of markets
2. It should make a significant contribution to the perceived customer benefits of the end product
3. It should be difficult to imitate by competitors

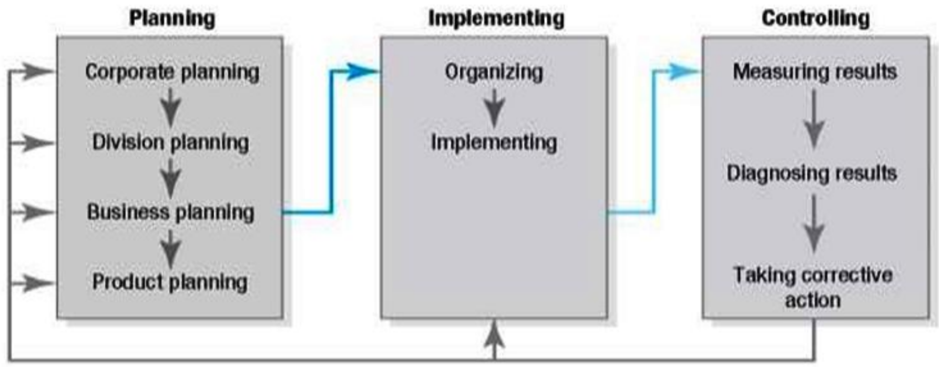
Core competencies are related to a firm's product portfolio via core products. Prahalad and Hamel (1990) defined core competencies as the engines for thedevelopment of core products and services. Competencies are the roots with which the corporation grows like a tree whose fruits are end products.

Core products contribute 'to the competitiveness of a wide range of end products. They are the physical embodiment of core competencies.' Approaches for identifying product portfolios with respect to core competencies and vice versa have been developed in recent years. One approach for identifying core competencies with respect to a product portfolio has been proposed by Danilovicand Leisner (2007). They use designstructure matrices for mapping competencies to specific products in the product portfolio. Using their approach, clusters of competencies can be aggregated to core competencies. Bonjour and Micaelli (2010) introduced a similar method for assessing how far a company has achieved its development of core competencies. More recently, Hein and his team link core competencies to Christensen's concept of capabilities which is defined as resources, processes, and priorities. Further, they present a method to evaluate different product architectures with respect to their contribution to the development of core competencies.

3.7 THE CENTRAL ROLE OF STRATEGIC PLANNING

Marketers must prioritize strategic planning in three key areas: (1) managing their businesses as an investment portfolio, (2) assessing the market's growth rate and thecompany's position in that market, and (3) establishing a strategy. Most large companies consist of four organizational levels: corporate, division, business unit, and product. Corporate headquarters designs a corporate strategic plan to guide the whole enterprise; it makes decisions on the number of resources to allocate to each division and on which businesses to start or eliminate. Each division establishes a plan covering the allocation of funds to each business unit within the division. Each business unit develops a strategic plan to carry that business unit into a profitable future. Finally, each product level (product line, brand) develops a marketing plan for achieving its objectives.

The *marketing plan* is the central instrument for directing and coordinating the marketing effort, operating at both the strategic and tactical levels. The strategic marketing plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service. The complete strategic planning, implementation, and control cycle is shown in the following Figure.



❖ CORPORATE AND DIVISION STRATEGIC PLANNING

Corporate or Company headquarters establish the framework by preparing statements of mission, policy, strategy, and goals, within which the divisions and business units prepare their plans. Some corporations give their business units a lot of freedom to set their own sales and profit goals and strategies. Others set goals for their business units but let them develop their own strategies. Still others set the goals and participate in developing individual business unit strategies.

All corporate headquarters undertake four planning activities:

1. Defining the corporate mission
2. Establishing strategic business units
3. Assigning resources to each SBU
4. Assessing growth opportunities

❖ DEFINING THE CORPORATE MISSION:

An organization exists to accomplish something to make cars, lend money, and provide a night lodging, and so on. Its specific mission or purpose is usually clear when the business starts. Over time the mission may change, to take advantage of new opportunities or respond to new market conditions. Amazon.com changed its mission from being the world's largest online bookstore to becoming the world largest online store. eBay changed its mission from running online auctions for collectors to running online auctions covering all kinds of goods.

To define its mission, a company should address Peter Drucker's classic questions. What is our business? Who is the customer? What is of value to the customer? What will our business be? These simple-sounding questions are among the most difficult a company will ever have to answer. Successful companies continuously raise these questions and answer them thoughtfully and thoroughly. A company must redefine its mission if that mission has lost credibility or no longer defines as optimal course for growth.

Organizations develop mission statements to share with managers, employees, and (in many cases) customers. A clear, thoughtful mission statement provides employees with a shared sense of purpose, direction, and opportunity. The statement guides geographically dispersed employees to work independently and yet collectively toward realizing the organization goals.

Mission statements are at their best when they reflect a vision, an almost impossible dream that provides a direction a direction for the company for the next 10 to 20 years. Sony former president, Akio Morita wanted everyone to have access to personal portable sound.So, his company created the Walkman and Portable CD player. Fred Smith wanted to deliver mail anywhere in the United States before 10:30 A.M the next day, so he created FedEx.

Good mission statements have three major characteristics. First, they focus on a limited number of goals. The statements such as we want to produce the highest-quality products, offer the most service, achieve the widest distribution, and sell at the lowest prices claim too much. Second, mission statements stress the company's major policies and values. They narrow the range of individual discretion so that employees act consistently on important issues. Third, they, define the major competitive spheres within which the company will operate.

- **INDUSTRY**

Some companies will operate in only one industry; some only in a set of related industries; some only in Industrial goods; consumer goods, or services; and some in any industry. For example, DuPont prefers to operate in the industrial market, whereas Dow is willing to operate in the Industrial and consumer markets. 3M will get into almost any industry where it can make money.

- **PRODUCTS AND APPLICATIONS:**

A company may supply a range of products and applications.For instance, St. Jude Medical aims to serve physicians worldwide with high-quality products for cardiovascular care.

- **COMPETENCE**

Competence is the range of technological and other core competencies that a company will master. Japan NEC has built its core competencies in computing, communications, and components to support production of laptop computers, television receivers, and handheld telephones.

❖ MARKET SEGMENT

It is the type of market or customers that a company serves. For example, Porsche makes only expensive cars. Gerber serves primarily the baby market.

❖ VERTICAL

The number of channel levels from raw material to final product and distribution in which a company will participate. At one extreme are companies with a large vertical scope; at one time Ford owned its own rubber plantations, sheep farms, glass manufacturing plants, and steel foundries. At the other extreme are hollow corporations or pure marketing companies consisting of a person with a phone, fax, computer, and desk who contracts out every service, including design, manufacture, marketing and physical distribution.

❖ GEOGRAPHICAL

The range of regions or countries in which a company will operate is its geographical range. At one extreme are companies that operate in a specific city or state. At the other are multinationals such as Unilever and Caterpillar that operate in almost every country in the world.

3.8 DEFINING THE BUSINESS

Companies often define their businesses in terms of products. They are in the auto business or the clothing business. Market definitions of a business are superior to product definitions. A business must be viewed as a customer-satisfying process, not a goods-producing process. Products are transient; basic needs and customer groups endure forever. Transportation is a need: the horse and carriage, the automobile, the railroad, the airline, and the truck are products that meet the need.

Companies must redefine their business in terms of needs, not products. Pitney-Bowes Inc., an old-line manufacturer of postage meters, is in the process of doing just that. With old-fashioned paper mail under siege, Pitne-Bowes, a U.S. company, can no longer afford to be defined by its main product, even though it currently holds 80% of the domestic market and 62% of the global market. The company is redefining itself as a leading service provider in the much larger mail and document management industry. With its wealth of engineers, cryptographers, and even workplace anthropologists, as well as 2,300 patents and several labs, Pitney-Bowes is well positioned to help companies organize their communications. In a new series of ads in business publications such as Fortune, Pitney Bowes is spreading the word about its new mission. For instance, one advertisement boasts that we can generate remarkable changes across your entire business, including a sizeable increase in profits.

A business can be defined in terms of three dimensions: customer groups, customer needs, and technology. Consider a small company that defines its business as designing incandescent lighting systems for television studios.

Its customers group is television studios; what the customer need is lighting; and the technology is incandescent lighting. The company might want to expand. It could make lighting for other customer groups such as for homes, factories, and offices; or it could supply other services needed by television studios such as heating, ventilation, or air conditioning. It could design other lighting technologies for television studios such as infrared or ultraviolet lighting.

❖ ESTABLISHING STRATEGIC BUSINESS UNITS

companies often define themselves in terms of products: they are in the auto business or the clothing business. Market definitions of a business, however, describe the business as a customer satisfying process.

In line with Levitt's argument that market definitions of a business are superior to product definitions, these three dimensions describe the business in terms of a customer-satisfying process, not a goods-producing process. Thus, Xerox's product definition would be ‘We make copying equipment’, while its market definition would be ‘We help improve office productivity’. Similarly, Missouri-Pacific Railroad's product definition would be ‘We run a railroad’, while its market definition would be ‘We are a people-and-goods mover’.

Large companies normally manage quite different businesses, each requiring its own strategy; General Electric, as one example, has established 49 strategic business units (SBUs). An SBU has three characteristics: (1) It is a single business or collection of related businesses that can be planned separately from the rest of the company; (2) it has its own set of competitors; and (3) it has a manager responsible for strategic planning and profit performance who controls most of the factors affecting profit.

The purpose of identifying the company‘s strategic business units is to develop separate strategies and assign appropriate funding. Senior management knows its portfolio of businesses usually includes a number ofyesterday‘s has-beens as well as tomorrow‘s breadwinners.

❖ ASSIGNING RESOURCES TO EACH SBU

A strategic business unit (SBU) is established by large companies, with diversified businesses so that each business gets the right attention. SBU is nothing but a part of the parent company and it functions independently with its own vision and direction. Though it is a separate unit, it is an important part of the parent company. A company can establish multiple units to focus on targeted markets and judiciously assigns resources to each SBU. SBU works independently with the available resources but time-to- time it updates the headquarters regarding its operational status.

Once it has defined SBUs, management must take call how to assign corporate resources to each SBUs. The GE/McKinsey Matrix classified each SBU by the extent of its competitive advantage and the attractiveness of its industry. Management could decide to grow, harvest or draw cash from, or hold on to the business. BCG‘s Growth-Share Matrix used relative market share and annual rate of market growth as criteria for investment decisions, classifying SBUs as dogs, cash cows, question marks, and stars Newer methods rely more on shareholder value analysis and on whether the market value of a company is greater with an SBU or without it. These value calculations assess the potential of a business based on growth opportunities from global expansion, repositioning or retargeting, and strategic outsourcing.

❖ ASSESSING GROWTH OPPORTUNITIES

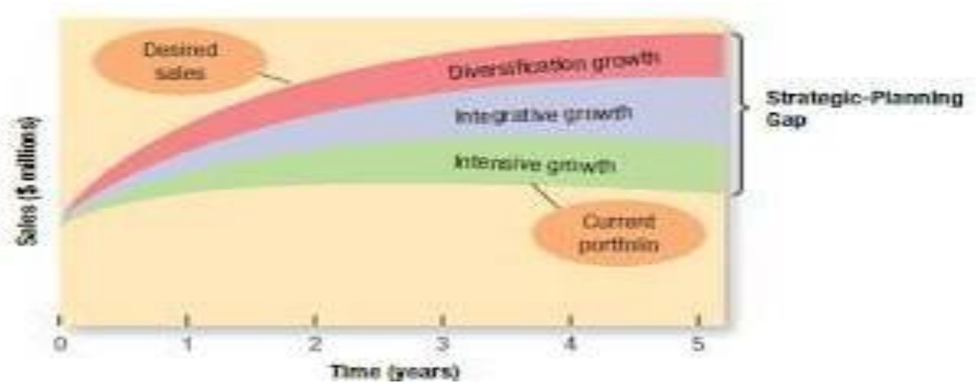
Assessing growth opportunities involves planning new businesses, downsizing, or terminating older businesses.

Intensive growth – corporate management's first course of action should be a review of opportunities for improving existing businesses.

Integrative growth – a business' sales and profits may be increased through backward, former, a horizontal integration within its industry.

Diversification growth – several types of diversification are possible – new products, new technology, marketing synergies with existing product lines, new groups of customers, etc.

Downsizing and divesting older businesses – week businesses require a disproportionate amount of managerial attention.



For higher sales and profits, a company's options for growth include intensive growth, integrative growth, and diversification growth. Within these three categories, there are different strategies that have different risk-reward relationships.

❖ INTENSIVE GROWTH

Market Penetration Strategy:Using this strategy, a company considers whether it could gain market share with its current products in current markets by encouraging current customers to buy more, attracting competitors' customers, or convincing non-users to start buying its products. This strategy has low risk because the company already knows themarketandknowstheproducts

Market-Development Strategy:A company considers whether it can find or develop new markets for its current products. This is higher risk than the market penetration strategy because the company will not know the market aswell,butwillstillknowtheproductwell.

Product-Development Strategy:A company considers whether it can develop a new product for its current markets. This is similar risk to that of the Market-Development Strategy as the company will know the market well, but not the product.

❖ **INTEGRATIVE GROWTH**

BackwardIntegration:Backwardintegrationoccurswhenacompany acquiresasupplier.

Forward Integration:Forward integration occurs when a company acquires adistributor.

Horizontal Integration:Horizontal integration occurs when a company acquires a competitor.

❖ **DIVERSIFICATION GROWTH**

Diversification is when a company develops a new product for a new segment. It is the riskiest of the growth strategies, but can make good sense when opportunities exist outside the present business.

❖ **DOWNSIZING AND DIVESTING OLDER BUSINESSES**

Companies must carefully prune, harvest, or divest tired old businesses to release needed resources for other uses and reduce costs. To focus on its travel and credit card operations, American Express in 2005 spun off American Express Financial Advisors which provided insurance, mutual funds, investment advice, and brokerage and asset management services. American International Group agreed to sell two of its subunits – American General Indemnity Co. and American General Property Insurance Co to White Mountains Insurance Group as part of a long-term growth strategy to abandon superfluous assets and focus on its core operations.

3.9 ANSOFF MODEL

Also called the Product/Market Expansion Grid, is a tool used by firms to analyze and plan their strategies for growth. The matrix shows four strategies that can be used to help a firm grow and also analyzes the risk associated with each strategy.

❖ UNDERSTANDING ANSOFF MODEL

The matrix was developed by applied mathematician and business manager, H. Igor An off and was published in the Harvard Business Review in 1957.

The An off Matrix has helped many marketers and executives to better understand the risks inherent in growing their business.

The four strategies of the An off Matrix are:

1. Market Penetration: This focuses on increasing sales of existing products to an existing market.
2. Product Development: Focuses on introducing new products to an existing market.
3. Market Development: This strategy focuses on entering a new market using existing products.
4. Diversification : Focuses on entering new market with the introduction of new products Of the four strategies, market penetration is the least risky while diversification is the riskiest.

❖ MARKET PENETRATION

In a market penetration strategy, the firm uses its products in the existing market. In other words, a firm is aiming to increase its market share with a market penetration strategy.

The market penetration strategy can be executed in a number of ways:

1. Decreasing prices to attract new customers
2. Increasing promotion and distribution efforts
3. Acquiring a competitor in the same marketplace

For example, telecommunication companies all cater to the same market and employ a market penetration strategy by offering introductory prices and increasing their promotion and distribution efforts.

❖ PRODUCT DEVELOPMENT

in a product development strategy, the firm develops a new product to cater to the existing market. The move typically involves extensive research and development and expansion of the company‘s product range. The product development strategy is employed when firms have a strong understanding of their current market and are able to provide innovative solutions to meet the needs of the existing market.

This strategy, too, may be implemented in a number of ways:

1. Investing in R&D to develop new products to cater to the existing market
2. Acquiring a competitor‘s product and merging resources to create a new product that better meets the need of the existing market
3. Forming strategic partnerships with other firms to gain access to each partner‘s distribution channels or brand

For example, automotive companies are creating electric cars to meet the changing needs of their existing market. Current market consumers in the automobile market are becoming more environmentally conscious.

❖ MARKET DEVELOPMENT

In a market development strategy, the firm enters a new market with its existing product(s). In this context, expanding into new markets may mean expanding into new geographic regions, customer segments, etc. The market development strategy is most successful if (1) the firm owns proprietary technology that it can leverage into new markets, (2) potential consumers in the new market are profitable (i.e., they possess disposable income), and (3) consumer behavior in the new markets does not deviate too far from that of consumers in the existing markets.

The market development strategy may involve one of the following approaches:

1. Catering to a different customer segment
2. Entering into a new domestic market (expanding regionally)
3. Entering into a foreign market (expanding internationally)

For example, sporting goods companies such as Nike and Adidas recently entered the Chinese market for expansion. The two firms are offering roughly the same products to a new demographic.

❖ DIVERSIFICATION

In a diversification strategy, the firm enters a new market with a new product. Although such a strategy is the riskiest, as both market and product development are required, the risk can be mitigated somewhat through related diversification. Also, the diversification strategy may offer the greatest potential for increased revenues, as it opens up an entirely new revenue stream for the company – accesses consumer spending dollars in a market that the company did not previously have any access to.

There are two types of diversification a firm can employ:

1. **Related diversification**: There are potential synergies to be realized between the existing business and the new product/market.
   For example, a leather shoe producer that starts a line of leather wallets or accessories is pursuing a related diversification strategy.
2. **Unrelated diversification**: There are no potential synergies to be realized between the existing business and the new product/market. For example, a leather shoe producer that starts manufacturing phones is pursuing an unrelated diversification strategy

- **YAHOO CASELET:**

Founded in 1994 by Web-surfing Stanford University grad students, Yahoo! grew from a tiny startup surrounded by Silicon Valley heavyweights to a powerful force in Internet media. Yahoo! worked hard to be more than just a search engine. The company proudly proclaims it is the only place anyone needs to go to find anything, communicate with anyone, or buy anything. Its range of services includes e-mail, news, weather, music, photos, games, shopping, auctions, and travel. A large percentage of revenues comes from advertising, but the company also profits from subscription services such as online personal ads, premium e-mail, and small-business services. Although Yahoo! strives to achieve a competitive advantage over rival Google with its vast array of original content, Google‘s ascension to the runaway leader in search, e-mail, and related services has made it a darling with advertisers. Yahoo!'s acquisition of photo-sharing service Flickr, social bookmark manager Del.icio.us, and online video editing site Jumpcut strengthened its capabilities. Yahoo! has also continued to grow globally in Europe and Asia, helped in parts by the acquisition of Kelkoo, a European comparison shopping site, for $579 million, and of 46 percent of Alibaba, a Chinese e-commerce company, for $1 billion in cash. Discussions with Microsoft about a possible merger culminated in a 10-year deal in June 2009 that gave Microsoft full access to the Yahoo! search engine, to be used in future Microsoft projects for its own search engine, Bing. CEO Carol Bartz faced many questions, however, about how Yahoo! should best move forward.

❖ CHECK YOUR PROGRESS

- **MCQ**

1. The__________is a tool for identifying ways to create more customer value.

a. value chain
b. customer survey
c. brand loyalty index
d. promotion channel
e. supplier database

2. The__________in the value chain cover the sequence of bringing materials into the business (inbound logistics), converting them into final products (operations), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service).

a. operations processes
b. manufacturing processes
c. primary activities
d. secondary activities
e. tertiary activities

3. Procurement, technology development, human resource management, and firm infrastructure are handled in certain specialized departments and are called___________.

a. materials handling
b. support activities
c. inventory activities
d. primary activities
e. benchmark activities

4. The key to utilizing organizational core competencies is to. that make up the essence of the business.

a. force organizational departments to justify the budgetary components
b. own all intermediaries who come in contact with the goods and services
c. own and nurture the resources and competencies
d. emphasize global promotions
e. segment the workforces

5. We can say that a_____________has three characteristics: (1) It is a source of competitive advantage in that it makes a significant contribution to perceived customer benefits; (2) it has applications in a wide variety of markets; and (3) it is difficult for competitors to imitate.

a. core competency
b. business strategy

c. core technology
d. strategic business unit
e. winning strategy

6. Which of the following terms matches to the phrase —it is a single business or collection of related businesses that can be planned separately from the rest of the company?

a. strategic business unit
b. diverse business unit
c. growth business unit
d. niche market unit
e. specialized business unit

7. Market-penetration, product-development, and market-development strategies would all be examples of___strategies.

a. concentric
b. conglomerate
c. horizontal
d. intensive growth
e. integrative growth

- **MCQ ANSWER**

1	2	3	4	5	6	7
a	c	b	c	c	a	d

- **Give Answers in details**

1. A successful company nurtures its resources and competencies. A core competency has three characteristics. Describe those characteristics.
2. Briefly summarize the two views of the value delivery process that may be followed by organizations seeking to gain business from consumers.
3. A holistic marketing orientation can provide insight into the process of capturing customer value and is designed to address three key management questions. Describe and illustrate each of these key management questions.
4. Explain the Ansoff Model and explain in situation company does diversification.
5. Explain the types of diversifications

- **Fill in the blanks**

1. Apex Corporation is one of the best in its industry in terms of costs and performance. Many companies will probably use Apex as a ___………………
2. Intel‘s breakthrough Intel Inside marketing campaign built awareness of the brand in an attempt to improve perceptions of ………………..and differentiate its chips from those of other competing manufacturers. This strategy allowed Intel to charge PC manufacturers a premium for its chips.

3. Sony's former president, Akio Morita, wanted everyone to have access to personal portable sound, so his company created the Walkman and portable CD player. This vision was reflected in the company's …………………
4. If you were the CEO of a company that was looking to implement strategies to fill a perceived strategic-planning gap, you would most likely explore…………….growth first because it is easier to improve an existing business than to build a new one.
5. A Manager is seen as a …………………planner because he plans the daily promotional releases about his company's products and services.

- **ANSWERS**

(1- benchmark, 2- Customer value, 3- Mission statement, 4- Intensive, 5- Tactical)

UNIT-4 PRODUCT RELATED DECISIONS

4.1 INTRODUCTION

The purpose of business is to create and retain a customer. Value in one's product or service should be and almost always is defined on customers' terms. If your product or service is perceived by the customer as having value then that perception will result in a purchase. If the customer uses your product consistently and is satisfied with the results, then it will result in creation of customer value.

In its most basic sense, customer value can be defined as the difference between the benefit that you receive from a product and the cost associated with that product. Modern consumers are much more educated and informed. They will purchase products that they feel are worth the cost needed to obtain them. Consumers are aware about the products, services and brands. They tend to know exactly what they want to purchase and will not waste time with unsuitable products. In this unit, you will be introduced to the concepts of product, services and brands that help in creating customer value.

Product related decisions form one of the 4Ps of marketing mix. These decisions include introduction of new products, improvement of existing products, planned elimination of obsolete products and, packaging and branding. In this unit, we will discuss the framework within which these decisions are taken. Starting with identifying various types of products, we will introduce new terms like product line and mix. Most product decisions are taken in the context of the overall strategy of an organization.

4.2 CONCEPT OF A PRODUCT

The product concept assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features. A product orientation leads a company to try constantly to improve the quality of its product. Under this concept, it is believed by the managers that consumers prefer well-made products and can appreciate better quality and performance. Organizations that are devoted to the product concept of marketing, believe that consumers would automatically favour for products of high quality. The managers of these organizations spend considerable energy, time and money on research and development to introduce quality and variations in products. However, some of the mangers are caught up in a love affair with their product and do not even realize that the product is not required in the market. This particular situation is described as kind of attribute to their products but if the consumers are not aware of regarding the availability, how can they go for purchasing that particular product.

Definitions

I. Product is the bundle of utilities by which it can satisfy the needs of the users.

II. Product is anything that can be offered to a market to satisfy a want or need.

III. Product is a set of tangible and intangible attributes, including packing, colour, price, manufacturer's prestige, retailer's prestige, manufacturer and retailer's services, which the buyer may accept as offering satisfaction of wants, or needs.

IV. Product is anything, which can be marketed in terms of physical goods, services, experiences, events, persons, places, parties, organizations, information, and ideas.

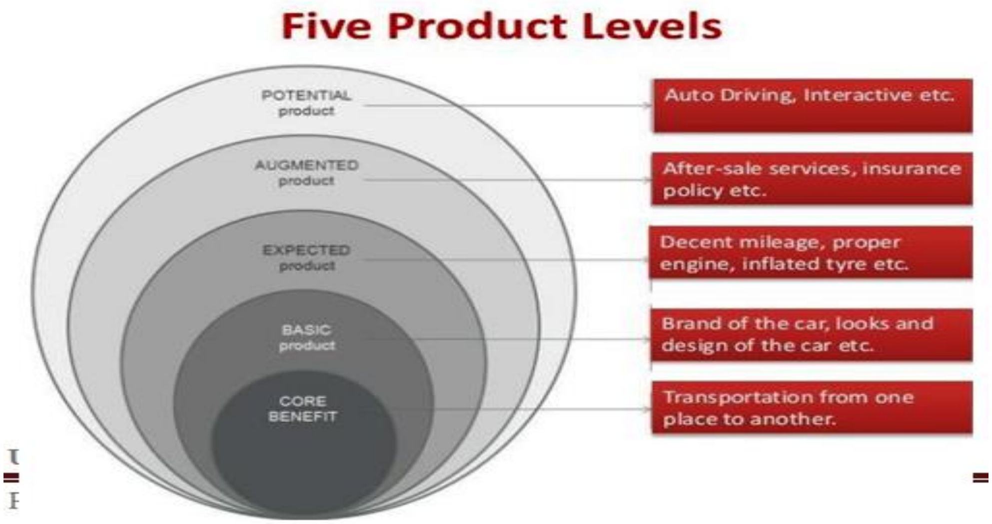
> ***Note*** We should adopt a sufficiently broad definition of product given by Philip Kotler. According to this definition, "*A product is anything, tangible or intangible, which can be offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want.*" Thus, a product can be a physical entity (e.g., computer, shirt, or soap), some service (e.g., healthcare, tuition, or bank), a retail store (e.g., music store, locality grocer, or supermarket), a person (e.g., a singer, physician, or politician), an organisation (e.g., business organisation, trade organisation, or not-for-profit organisation), a place (e.g., village, city, or country), or idea (e.g., social issues, concepts, or population control). We use the word 'product' innumerably in everyday life.

Product levels

In planning its market offering, the marketer needs to think through five levels of product. Each level adds more customer value, and the five constitute customer value hierarchy.

The most **fundamental level** is the core benefit: the fundamental service or benefit that the customer is really buying. A hotel guest is buying "rest and sleep." The purchaser of a drill is buying "holes". Marketers must see themselves benefit providers.

At the **second level**, the marketer has to turn the core benefit into a basic product. Thus, a hotel room includes a bed, bathroom, towels, desk, etc.



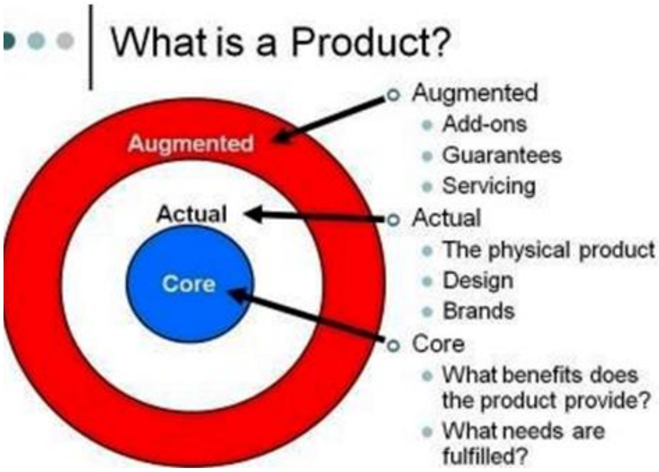
At the **third level,** the marketer prepares an expected product, a set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests expect a clean bed, fresh towels, working lamps, and a relative degree of quiet. Because most hotels can meet this minimum expectation, the traveler normally will settle for whichever hotel is most convenient or least expensive.

At the **fourth level**, the marketer prepares an augmented product that exceeds customer expectations. A hotel can include a remote-control television set, fresh flowers, rapid check-in, express checkout, and fine dining and room services.

Today's competition essentially takes place at the product-augmentation level. (In less developed countries, competition takes place mostly at the expected product level). Product augmentation leads the marketer to look at the user's total consumption system: the way the user performs the tasks of getting and using products and related services. According toLevitt, the new competition is not between what companies produce in their factories, but between what they add to their factory output in the "form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value."

Some important points should be noted about product-augmentation strategy. First, each augmentation adds cost. Second, augmented benefits soon become expected benefits. Today's hotel guests expect a remote-control television set. This means competitors will have to search for still other features and benefits. Third, as companies raise the price of their augmented product, some competitors offer a "stripped- down" version at a much lower price.

At the **fifth level** stands the potential product, which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offer. Richard Branson of Virgin Atlantic is thinking of adding a casino and a shopping mall in the 600-passenger planes that his company will acquire in the next few years and consider the customization platforms new e- commerce sites are offering, from which companies can learn by seeing what different customers prefer.



Successful companies add benefits to their offering that not only satisfy customers but also surprise and delight them. Delighting customers is a matter of exceeding expectations.

4.3 CLASSIFICATION /TYPES OF PRODUCTS

Generally products are classified into two types, namely
Consumer Products and Industrial Products.

CONSUMER PRODUCTS:

Consumer products are the products purchased for ultimate consumption by the consumers for satisfying their needs. For example, soaps, shoes, clothes, tooth pastes, etc. They can further be divided on the basis of durability and shopping efforts involved.

1. DURABILITY OF PRODUCTS:

The consumer goods can be classified into three parts on the basis of durability:

(a) Non-Durable Products:

Non-durable products are those consumer products which are consumed in one or few uses for example soap, toothpaste, shampoo, salt, etc. These goods have a small profit margin, need heavy advertisement and should be easily available.

(b) Durable Products:

Durable products are the products with longer consumption period and uses. For example, TV, refrigerator, coolers etc. These goods provide high profit margin, require greater personal selling efforts, after sales services etc.

(c) Services:

Services are intangible in form and refer to those activities, benefits or satisfaction which are offered for sale. For example, postal service, hair cutting, tailoring, transportation etc.

Following are their main features:

(i) Services are intangible in nature.
(ii) Services can't be stored.
(iii) Services are highly variable in that the quality of service provided by different people is different.
(iv) A service can't be separated from its source.

2. SHOPPING EFFORTS INVOLVED:

Consumer products can be categorized into following three parts on the basis of the time and efforts buyers are willing to spend for the purchase of a product:

(a) Convenience Products:

These products require minimum time and effort and are purchased frequently by the customers. For example, bread, medicines, salt, sugar, jam etc.

(i) These products are easily available and require minimum time and effort
(ii) They are available at low prices.
(iii) These are essential goods; so, their demand is regular and continuous.
(iv) They have standardized price.
(v) The supply of these goods is more than the demand; therefore competition for these products is very high.
(vi) Sales promotion schemes such as discount, free offer, rebate etc. help in marketing of these products.

(b) Shopping Products:

These are the products that require considerable time and effort. For example, clothes, jewellery, televisions etc. Before making final purchase, a consumer compares the quality, price, style etc. at several stores.

Following are the main features of these products:

(i) They are durable in nature
(c) (n) These goods have high unit price as well as profit margin.
(ii) Before making final purchase, consumer compares the products of different companies.
(iii) Purchases of these products are pre planned
(iv) An important role is played by the retailer in the sale of shopping products.

(c) Specialty Products:

Specialty Products refer to those products which have certain special features due to which the buyers are willing to spend a lot of time and effort on the purchase of such products. These products have brand loyalty of highest order. For example, designer clothes, hair styling, antique products, jewellery, etc.

Following are the main features of specialty products:

(i) The demand for such products is relatively infrequent.
(ii) These products are very costly.
(iii) These are available for sale only at a few places.
(iv) An aggressive promotion is essential for the sale of such products.
(v) Many of the specialty product require after sales service too.

INDUSTRIAL PRODUCTS:

The products which are used as inputs to produce consumer products are known as industrial products. For example, raw material, machinery, tools, lubricants, etc. These products are used for non-personal and business purposes. Manufacturers, transport agencies, banks and insurance companies, mining companies, etc. are the main parties involved, in marketing of industrial products.

Following are the main features of Industrial products:

(i) Number of Buyers:
(i) Industrial Products have limited number of buyers as compared to consumer goods.
(ii) Channel Levels:
(iii) Since the number of buyers is limited, the sales take place with the help of shorter channels of distribution.
(iv) Geographic Concentration:
(v) The demand for industrial products is concentrated at certain fixed geographical locations.
(v) Derived Demand:
(vi) The demand for industrial products depends upon the demand for consumer goods, therefore the demand for industrial products is known as derived demand. For example, demand for cotton fibre increases when there is increased demand for cotton suits, bed sheets etc.
(vi) Role of Technical Considerations:
(vii) Technical consideration plays an important role in the purchase of industrial goods because these products are purchased for use in business operations.
(vii) Reciprocal Buying:
(viii) A company may purchase some raw material from another company and also may sell its finished good to the same company. Such a practice is known as reciprocal buying. For example, Tata may buy tyres and tubes from CEAT which may in turn purchase Tata's trucks.

(viii) Leasing Out:

The prices of the industrial products are very high; the companies prefer to take them on lease instead of buying.

CLASSIFICATION OF INDUSTRIAL PRODUCTS:

Types of Industrial Product are as follows:

1. Materials and Parts:

These refer to the goods that completely enter the manufacture of a product.
These are of two types:

(a) Raw Material:

These are of two types (i) agricultural products such as sugar cane, wood, rubber, etc. and (ii) natural products like iron ore, crude petroleum etc.

(b) Manufactured Materials and Parts:

These are of two types (i) component material like glass, iron, plastic etc. and (ii) component parts like steering, battery, bulb, etc.

2. Capital Items:

These are the goods that are used in producing finished goods. They include tools, machines, computer etc. Capital items are classified into (a) installations like elevators, mainframe computers etc. and (b) equipment like hand tools, fax machine etc.

3. SUPPLIES AND BUSINESS SERVICES:

These include goods like paints, lubricants, computer stationary etc. which are required for developing or managing the finished products. These are classified into -

(a) Maintenance and repair items like paints, nails, solutions, etc., and
(b) Operating supplies like oils, lubricants, ink, etc.

Supplies are similar to convenience goods. They are purchased with little effort and repurchased once the consumer is satisfied. They are also marketed through retail outlets. Industrial services include maintenance and repairs. For example, persons having typewriters naturally want them to be looked after on a regular basis generally by the same (regular) maintenance person who is normally an outsider. Similarly, after purchasing a computer, service is necessary. These services are often provided by small producers or by the manufacturer of the original equipment itself.

Consumer Goods	Industrial Goods
1. The demand for consumer goodsis a direct demand'.	The demand for industrial goods is a 'derived demand'. It is derived from the demand for consumer goods, which are made using the

	industrial goods.
2. The number of buyers is large	Industrial goods have only limited number of buyers.
3. The demand for consumer goods is elastic.	Industrial goods have relatively inelastic demand.
4. The buyers are found scattered in different parts of the country / world.	The buyers are found to be concentrating in certain regions only. For example, the buyers of raw cotton, who are the cotton textile mill owners, are found in and around Coimbatore in Tamil Nadu.
5. Each purchase will generally beof small value.	Each purchase involves a very high amount (in money terms).
6. These goods are not technically complicated.	Industrial goods are technically complicated. Such goods cannot be assessed by an ordinary buyer
7. Buying is much influenced by emotions.	Buying cannot be influenced by emotions.
8. Any individual can undertake buying.	Here, buying is always a group process. Finance experts, engineers, accountants and others will have to work together before taking the purchase decision.
9. After-sale service is important in the case of consumer durables.	After-sale service is of paramount importance in the case of allindustrial goods.
10. There are a number ofmiddlemen in the market.	The manufacturers of industrial goods supply directly to theircustomers.
11. A buyer of consumer goods may not have thorough knowledge of the goods he buys and uses.	A buyer of industrial goods must have complete knowledge ofthe goods he buys and uses.
12. The reputation of the seller or manufacturer may not always be given importance in buying consumer goods.	The reputation of the manufacturer is always important inbuying industrial goods.
13. Inducements to the buyers in the form of cash discounts, free gifts, etc. are made always by those marketing consumer goods.	Such inducements may not be common in the marketing ofindustrial goods.
14. Leasing arrangements are not made in the marketing of consumer goods.	Leasing arrangements are quite common in the marketing of industrial goods. The seller, in view of the high cost of the industrial goods, may provide the facility of leasing to the buyer.
15. The market for consumergoods is affected by fashion and style changes.	The market for industrial goods is affected by technologicalchanges.

Caselet: Dell: Delivering Customer Value

From its origins in Michael Dell's dorm room at the University of Texas, Dell Computer sold personal computers directly to end users, in contrast to most other leading manufacturers, who sold through distributors, resellers, and retailers. By differentiating from other computer makers – selling direct, first over the telephone, and later via the Internet – Dell enabled customers, especially corporate customers, to specify exactly the features they wanted. Dell then quickly assembled computers to meet these specifications and shipped them directly to its customers. What was it about Dell's concept that customers found so attractive? First, they could specify precisely what they wanted – hard drive size, memory, modem or network card, and so on. Second, Dell's price/value offering was unbeatable – customers got more computer for their money. And, because Dell shipped quickly and offered strong service and support, albeit without local face-to-face handholding, these two major benefits – get what you want, for less money – came without any significant drawbacks to the key target market: corporations.

Not only did Dell's direct business model offer tangible benefits to its target customers, it also brought Dell important advantages that gave it a real and – so far – sustainable edge over its competitors. Dell worked closely with its suppliers to arrange just-in-time delivery of parts for its custom-assembled PCs, communicating replenishment needs to key vendors on an hourly basis. By carrying, in 1996, for example, only 15 days inventory on average, instead of 65 days for competitor Compaq, Dell not only saved carrying cost for its inventory but it bought parts later, thereby benefiting from the fact that prices of components used to make PCs typically declined 25 to 20 per cent per year. Additional savings from eliminating intermediaries in its distribution channel made Dell's cost advantage over its competitors a substantial one.

Given its lower cost structure than its competitors, Dell's custom-built, low-cost positioning in the market place allowed it to make an attractive strategic choice. Should it choose to reap higher margins than others in its industry, or should it keep prices low to gain market share? For much of its history, Dell made the latter choice, gaining share at the expense of its rivals.

4.4 PRODUCT HIERARCHY

Each product is related to certain other products. The product hierarchy stretches from basic needs to particular items that satisfy those needs. We can identify six levels of the product hierarchy. It can be understood easily considering with the example of life insurance:

i) **Need family:** The core need that underlies the existence of a product family. Example: security.

ii) **Product family:** All the product classes that can satisfy a core need with reasonable effectiveness. Example: savings and income.

iii) **Product class:** A group of products within the product family recognized as having a certain functional coherence. Example: financial instruments.

iv) **Product line:** A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same channels, or fall within given price ranges. Example: life insurance.

v) **Product type:** A group of items within a product line that share one of several possible forms of the product. Example: term life.

Item (also called stock keeping unit or product variant): A distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute.

Example: Prudential renewable term life insurance Two other terms are frequently used with respect to the product hierarchy.

Example:

	Colgate	Pulsar	Lux
Need Family	Feel Good	Personalized Transport	Feel Good
Product Family	Toiletries	Two wheeler	Toiletries
Product Class	Dental Care	Motorized 2-Wheeler	Skin Care
Product Line	Toothpaste	Bike	Soap
Product Type	Gel Toothpaste	Power Motorcycle	Bar Soap
Brand	Colgate Gel	Bajaj Pulsar	Lux
Item/Product Variant/SKU	Colgate Gel Red 125 grams.	Bajaj Pulsar 150 DTSi black	Lux Pink 100 grams

A Product system is a group of diverse but related items that function in a compatible manner. For example, the Handspring personal digital assistant comes with attachable Visor products including a phone, radio, pager, video games, e-books, MP-3 player, digital camera, and voice recorder.

A product mix (or product assortment) is the set of all products and items that a particular seller offers for sale to buyers.

❖ **ACTIVITY-1**

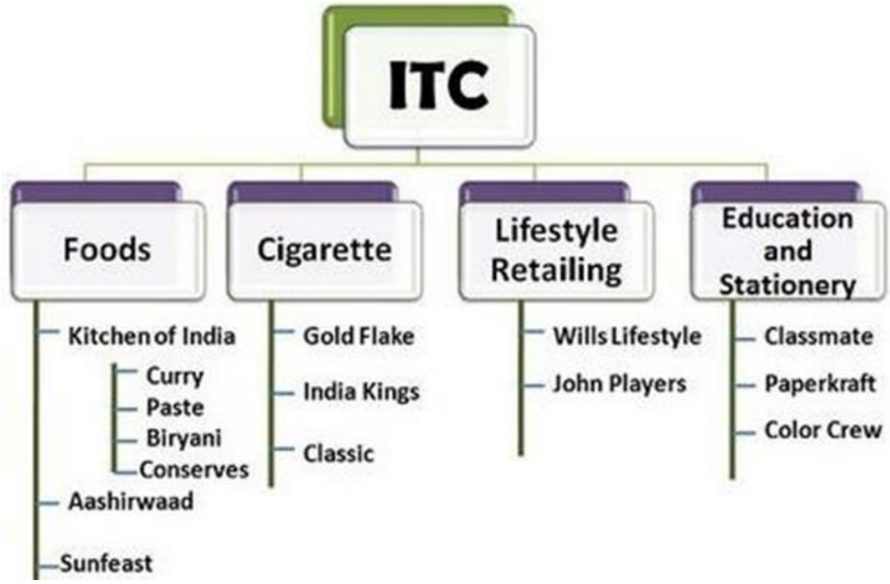
a) Write down the types of products which come to your mind or the ones which you areselling:
b) Identify the customers in each case.
c) How do they differ from one another?

4.5 MAJOR PRODUCT DECISIONS

Most companies generally market several products rather than just one or two. It is necessary for them to understand the relationship among all their products to coordinate their marketing of total group of products. Product item, product line, and product mix concepts help us understand the relationships among a company's different products.

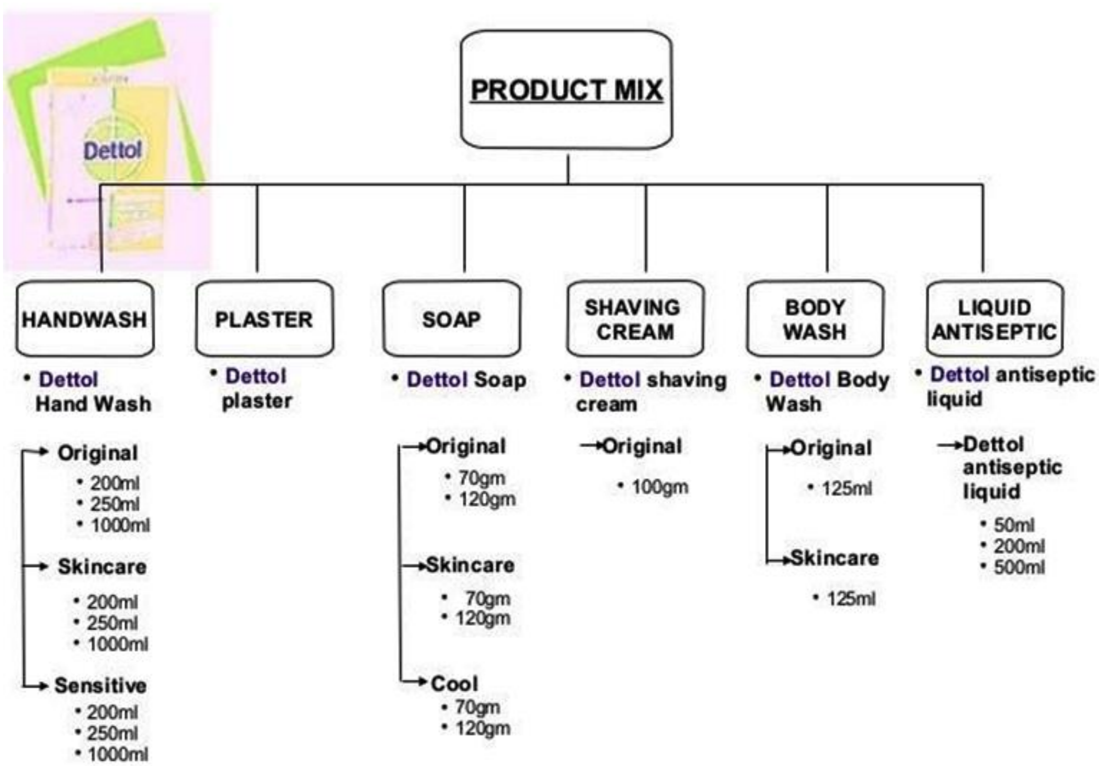
PRODUCT MIX:

The expression `product mix' is used to refer to a set of all the products offered for sale by a particular company.



The product mix dimension permits the company to expand its business in four ways:

- add new product line,
- lengthen each product line,
- add more product variants and deepen its product mix and pursue more product line consistency.



i. THE PRODUCT MIX HAS FOUR DIMENSIONS:

- **Width:** Width or breadth is the company's product mix that means the total number of product lines that a company offers to sell. For instance, if a company offers milk and yogurts, this indicates the that its product mix has two lines. Similarly, a cosmetic company manufactures four different types of products – jewellery, cosmetics, fashion and household items. Its product mix width is 4.

- **Length:** The length of product mix means total number of products within a company's product lines. For example, if a company has 10 product lines and each line has 3 product variations then product mix length is (10×3) = 30. Length of the product mix refers to the total number of products in the mix. If a company has 5 product lines and 10 products under each product lines, the length of the mix will be 50 [5 x 10].

- **Depth:** refers to how many variants are offered of each product in the line. Depth of product mix means the total number of products a company offers within a certain product line. There may be different variations in the product, e.g., size, flavor, taste and many other characteristics. For example, Medical toothpaste sells four sizes and two flavors mean it has a depth of eight. Another thing to be discussed is average depth of product line. Suppose a company first line depth is 8 and second one is 10 the average depth is 19.

- **Consistency:** At last, the consistency of a product mix is the close relationship between different product lines. The more product variation means less product consistency. For example, a dairy company has two product lines milk and yogurt. Both the lines have same users and distribution channels due to low product variation and high product mix consistency. Let us take an example of Philips Electronics with 7 product lines having high production mix variation and low consistency.

Let us take another example to understand the product mix of Nike. Footwear – Boots for strikers, Midfielders, Defenders, Sneakers Apparels – Headwear, Tops/Polos, Jersey, Jackets, Shorts, Shocks Equipment – Ball, Bags, Watches

Product Depth – 4 in Footwear, 6 in Apparels and 4 in Equipment Product Length – 14
Product Width – 3
Product consistency – High consistency Nike focus on health-conscious people.

Product mix refers to the total number of products of a company offer to sell. On the other hand, product line refers to related products with similar users and functions. In the above example of Nike, the footwear, apparels and equipment are all product lines.

When these product lines come together, they are known as product mix.

ii. PRODUCT MIX STRATEGY

The `Product Mix Strategy', includes all product lines and product items offered by a company. An organization has various options to improve its product mix. It can add new products in a particular product line, or add new product lines, thus widening its product mix.This brings us to the more important question of product diversification.

Let us now understand terms like product item, product line and product mix frequently used in managing products.

iii. A PRODUCT OR PRODUCT ITEM

The 'Product Item' refers to a specific product or brand like Pears or Liril soap. There are companies with only one product and there are others having several products for various reasons, may be higher market share or higher profits or both or any other reasons.

PRODUCT LINE

It is a part of the product strategy to determine whether an organisation will have a single product or more than one product. A 'Product Line is an expression used to describe a group of closely related products. Examples of these would include the Usha line of fans or the Lakme line of cosmetics.

In case of product line, very often a product manager or a product line manager is appointed to look after a particular product line. Generally, he tries to enlarge his product line because he wants a higher market share, or growth in volume of sales resulting in more profit.The latter aspect must always be remembered, and the product line manager should be willing to eliminate any product which is found to be unprofitable, or nor required tocomplete the line of products offered.

Product line decisions have to be taken about how long or short the line should be. The basic considerations being the capacity of the organization in terms of availability of. Production facilities, finance, etc. and the profitability of the items in the product line.

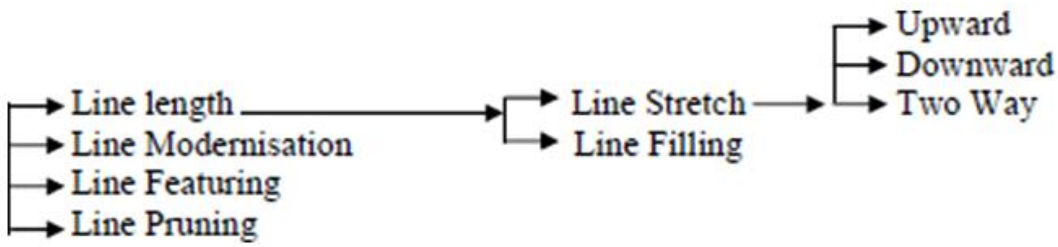
Objectives of Product Line:

- Create a product line to induce up selling: (T.V. & size)
- Product line for cross selling: (Hewlett-Packard: computer and printer)
- product line that protects against economic ups and downs: (Longer product

line)

A line of product is often meant to meet various segments of customers. Consider the soap line of Hindustan Lever, as an example. 'LIFEBUOY' is described as the soap that washes away dirt and is aimed at the lower income level. For the middle-priced market, this company offers LUX soap advertised as the beauty soap of film stars. Recently, as you must have noted, it was re-launched with a new perfume and a smart new look. For the `premium market', Hindustan Lever offers `PEARS'. Primarily positioned for upper class the soap is supposed to take care of tender skin. An interesting point in this illustration is that each product item is marketed under different brand names, because a brand preferred by lower social classes will not be bought by higher classes

Lengthening Product Line:



1. Line Stretching:

- Increasing the number of products within an existing product range with similar products that have additional or different features.
- Business already has a well-established brand, it can use line stretching to expand its product line and help increase its market share without having to develop substantially new product.
- **Down market Stretch:**
  A company positioned in the middle market may want to introduce a lower-priced line. strong growth opportunities, counter attack, middle market is declining. e.g. Samsung, Gillette, Wal Mart, Big Bazaar, Best Buy
- **Up-market Stretch:**

It occurs when a company enters the upper end through a line extension. Market for more growth, higher margins, or simply to position themselves as full-line manufacturers. For example, Toyota’s Lexus; Nissan’s Infinity; Honda’s Acura, Volkswagen has some ultra-premium brands like Bentley & Lamborghini

- **Two-way stretch:**

Example: Titan watch: Edge, Nebula, Xylus and Sonata collection.

2. ***Line Filling:***

A business strategy involves increasing the number of products in an existing product line to take advantages of marketplace gaps and reduce competition. **Line filling is overdone** if it results in self- cannibalization and customer confusion.

For example -Maruti Suzuki launched a series of brands in the hatchback segment.

Maruti 800 - Rs 2,00,000 - Rs 2,12000
Maruti Alto - Rs 2,22,000 - Rs 2,70,000
Maruti Estilo - Rs 3,17,000 - Rs 3,98,000
Maruti Wagon R - Rs 3,18,000 - Rs 4,32,000
Maruti A Star - Rs 3,40,000 - Rs 4,12,000
Maruti Ritz - Rs 3,89,000 - Rs 5,10,000
Maruti Swift - Rs 4,06,000 - Rs 5,20,000

3. Line Modernization:

In rapidly changing product markets, modernization is carried on continuously. For example- Microprocessor companies Intel, AMD and software company like Microsoft, Google, WhatsApp, LinkedIn, Samsung, Apple, Nokia

4. Line featuring:

Marketers at times select one or a few items in the line to "feature". The idea is to attract consumers into the showrooms and then try to get them exposed to other models. These products act as "flagships" to enhance the whole line. A company's core product or service which is most recognizable by the public and embodies the expertise, values and product line of the business. For example- athletic shoes are the flagship brand for Nike though the company makes other clothing.

5. Line Pruning:
Product line pruning is the removal of the unprofitable products from the product line. For example, Toyota Kirloskar phasing out their model Qualis, when it was not adding any value to the product line as such.

PRODUCT LINE EXTENSIONS:

A product line extension is the use of an established product brand name for a new item in thesame product category.

Line extensions occur when a company introduces additional items in the same product category under the same brand name such as new flavors, forms, colors, added ingredients, package sizes. For example, Coke adding ‘Diet Coke’; ‘Coke Plus’. Colgate launching ‘Colgate Fresh’; ‘Colgate Maxfresh’; ‘Colgate Herbal’. Lays - Potato Chips - from Salted to oregano with sea salt

Product line extension has varied costs like design and engineering costs, inventory carrying costs, manufacturing-changeover costs, order-processing costs, transportation costs, and new-item promotional costs

Managing Line Extensions

There are several factors, which can explain why so many companies have pursued lineextensions as their marketing strategies. These are being discussed as under:

a. Customer segmentation

Managers perceive line extensions as a low-cost, low-risk way to meet the needs of various customer segmentation and by using more sophisticated and lower-cost market research and direct marketing techniques, they can identify and target finer segments more effectively than ever before. In addition, the quality of audience profile information for television, radio and print media has improved; managers can now translate complex segmentation schemes into effective advertising plans.

b. Consumer desires

Consumers are switching brands and trying products they have never used before. Line extensions try to satisfy the desire for ‘something different’ by providing a wide variety of products under a single umbrella. Such extensions, companies’ hope fulfills customer desires while keeping them loyal to the brand franchise. The Gujarat Milk Marketing Federation launched a host of milk-based products under the brand name Amul. Similarly, SmithKline Beecham made an entry into the faster growing brown beverages segments with its. Chocolate Horlicks brand to counter the established Cadbury's brand Bournvita.

Line extensions can help a brand increase its share of shelf space thus gaining higher visibility and attracting consumer attention. When marketers coordinate the packaging and labelling across all items in a brand line, they can achieve an attention getting billboard effect on the store shelf or the display stand thus leverage the brand's equity. However, building enough volumes to offset the additional costs required for such extensions is also necessary.

c. Pricing breadth

Marketers often extend the line on superior quality platform and set higher prices for the new offering than their core items. In markets subjects to slow volume growth, marketers can increase unit profitability by attracting current customers move up to the 'premium' products. In this way a marketer also lends 'prestige' to its product line.

Similarly, some line extensions are priced lower than the lead product. For example, American Express offers its Optima card for a lower annual fee than its standard card. Extensions give marketers the opportunity to offer a broader range of price-points in order to capture a wider audience, and thereby serve as 'volume builders'.

d. Excess capacity

On some occasions companies added new product lines to make use of their excess capacity or to improve efficiency and the quality of existing products. In fact, excess capacity encourages the introduction of line extension that requires only minor adaptations to current products.

e. Short-term gain

Line extensions offer the most inexpensive and least imaginative way to increase sales quickly. The development time and costs of line extensions are far more predictable than they are for altogether new products. In fact, few brand managers are willing to spend the time or assume the career risk of introducing new products in this crossed market.

f. Competitive intensity

Mindful of the link between market share and profitability, managers often see extensions as a short-term competitive device that increases a brand's control over limited retail shelf space and, if overall category can be expanded, also increase the space available to the entire category.

g. Trade pressure

The proliferation of retail channels for consumer products compels marketers to offer broad and varied product lines. Retailers object to the proliferation of marginally differentiated and ‘me too’ line extensions of additional stock-keeping units (SKU). They instead, demand special package size to meet their specific customer demand (e.g., bulk packages or multi-packs of low-price, variety) or derivative models impede comparison- shopping by consumers.

h. Emerging a brand

A line extension can be an effective way to make a brand more relevant, interesting, and visible. In doing so, it can create a basis for differentiation, build and audience for the advertising of an old brand (though the brand may be healthy), and stimulate sales. This would give new as well as old customers sufficient reason to buy the brand.

i. Exploitation of variety fulfillment

A brand may be stretched across multiple product categories to take advantage of a common and important consumer benefit existing in both, the products and the consumer perceptions. This is the common benefit of exploitation strategy, which ensures that sales in the other categories do not affect the parent brand. Line extensions can also increase a brand’s consumer share of requirements within a given product category.

j. Expanding a brand’s core promise to new users

A brand may have a strong image that promotes loyalty and exclusiveness. A line extension can extend that promise. In fact, line extensions can perform the role of continually improving the core brand. Intelligent line extensions may be used as means to attract users who buy multiple brands.

k. Managing true innovation

Line extension is an effective way to foster and manage true innovation, thereby enhancing the value proposition, expanding the usages context, and blocking competitive entry.

l. Blocking or inhibiting competitors

Although niche markets may represent marginal businesses, they may strategically represent important foothold for competitors. Line extensions have the potential of inhibiting of neutralizing moves by competitor. Failure to see this aspect may result in adverse consequences for market leaders, as can be seen from what happened to competitors like TOMCO, Calcutta Chemicals, etc. who permitted new companies to gaina toehold in their respective industries.

m. Managing a dynamic environment

Line extensions provide a way to survive in an environment full of ambiguities and transitory signals and forces. If the company does not extend line, it may face the risk that if a segment is created corresponding to the 'new' product, such a segment may be a precursor to a larger trend that, if ignored, might generate a strategically altered landscape with a first-mover competitor holding a considerable advantage.

n. Testing ground for national launch

Product line extensions can also be effective ways to test-market product improvements and at the same time enter emerging segments. Thus, logic seems to be on the rise for any new launch to assess the pulse of the market in a competitive environment.

❖ **ACTIVITY-2**

1. Identify product items in case of the following product lines of various organizations orbrands.

Brand/Organization	Product Line	Product Item
MRF	Tyres	
GODREJ	Soaps	
Taj Mahal	Tea Bags	
BPL	Colour TVs	
TELCO	Light CommercialVehicles	

2. State whether the following statements are true or false:

a. A product is a tangible offering by a company.
b. The design and quality of the cloth of a shirt are part of the generic product level.
c. The term product mix length refers to the number of product lines a company has.
d. Skoda Motors introduced Skoda Fabia in the mid-price (Hatchback) car segment. It isan example of line pruning.
e. Nokia introduces various cell phone models are regular intervals. It is a part of its linefilling strategy.

f. Diversifying the product mix helps to minimize the risks for a company acrossdifferent products.

BRANDING

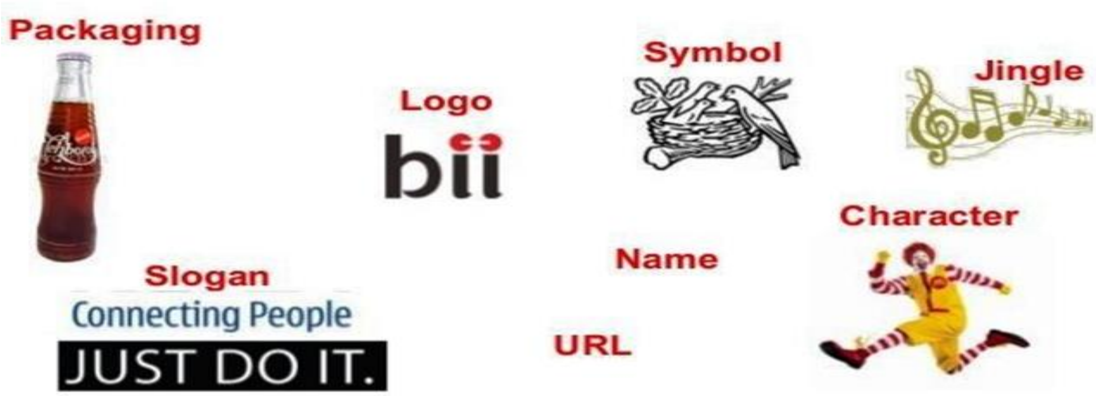
Brand: A brand consists of any name, term, design, style, words, symbols or any other feature that distinguishes the goods and services of one seller from another. A brand also distinguishes one product from another in the eyes of the customer. All of its elements (i.e., logo, color, shape, letters, images) work as a psychological trigger or stimulus that causes an association to all other thoughts we have about this brand. Tunes, celebrities, and catchphrases are also oftentimes considered brands.

Branding is the set of activities designed to create a brand and position it in the minds of consumers. Did you know that The Beatles started a recording studio called Apple? When Apple Computer (the iPod company) was formed, Apple Corp., Ltd. (the Beatles' recording studio), sued Apple Computer because two companies with the same name can create confusion among consumers. This wasn't much of a problem when Apple was only selling computers, but following the release of the iPod and launch of Apple's iTunes program, a case could be made that the companies' offerings are similar enough for consumers to confuse the two companies and their products. In fact, it wasn't until very recently that the lawsuit over the name was settled, some thirty years after the initial lawsuit was filed. Nonetheless, the situation signifies how important brand names are to the companies that ownthem.

- **Brand Name:** A word, group of words, letters, or numbers that represent a product or service; also known as a product brand.
- **Trade Name:** A phrase or symbol that identifies and promotes a company or a division of a particular corporation; also known as a corporate brand.
- **Brand Mark:** A brand mark X is a unique symbol, coloring, lettering, or other design element. It is recognizable visually and does not need to be pronounced.
- **A trade character** X is brand mark that has human form or characteristics. A brand name, brand mark, trade name, trade character, or a combination of these elements that is given legal protection by the federal government.

BRAND ELEMENTS

Brand elements are devices that identify and differentiate the brand. Multiple brand elements application may strong the brand equity. The outcome of this activity can be judged by what consumers would think or feel about the product if the brand element were all they knew.



Brand Element Choice Criteria: There are six criteria for choosing brand elements. Theseelements are used to defend the brand position against the attack of other brands.

Memorable

How easily do consumers recall and recognize the brand element, and when at both purchase and consumption? Short names such as Tide, Crest, and Puffs are memorable brandelements.

Meaningful

Is the brand element credible? Does it suggest the corresponding category and a product ingredient or the type of person who might use the brand? Consider the inherent meaning in names such as DieHard auto batteries, Mop & Glo floor wax, and Lean Cuisine low-calorie frozen entrees.

Likable

How aesthetically appealing is the brand element? A recent trend is for playful names that also offer a readily available URL, like Flickr photo sharing, Wakoopa social networking, and Motorola's ROKR and RAZR cell phones.

Transferable

Can the brand element introduce new products in the same or different categories? Does it add to brand equity across geographic boundaries and market segments? Although initially an online book seller, Amazon.com was smart enough not to call itself "Books 'R'Us. The Amazon is famous as the world's biggest river, and the name suggests the wide variety of goods that could be shipped, an important descriptor of the diverse range of products the company now sells.

Adaptable

How adaptable and updatable is the brand element? The face of Betty Crocker has receivedmore than seven makeovers in 87 years, and she doesn't look a day over!

Protectable

How legally protectable is the brand element? How competitively protectable? Names that become synonymous with product categories—such as Kleenex, Kitty Litter, Jell-O, Scotch Tape, Xerox, and Fiberglass—should retain their trademark rights and not become generic.

❖ **ACTIVITY-3**

1. State whether the following statements are true or false.

a. Promoting the product again with different tagline, different celebrity, differentpackaging etc. can also be categorized as new product development.

b. Only a handful of new products are true innovations that create an entirely newmarket.

c. Products that are new to the company but not new to target customers generallypose high challenge or risk.

2. What type of innovations are the products mentioned below? Identify the characteristics of people who adopted these products.

a. Cellular phone

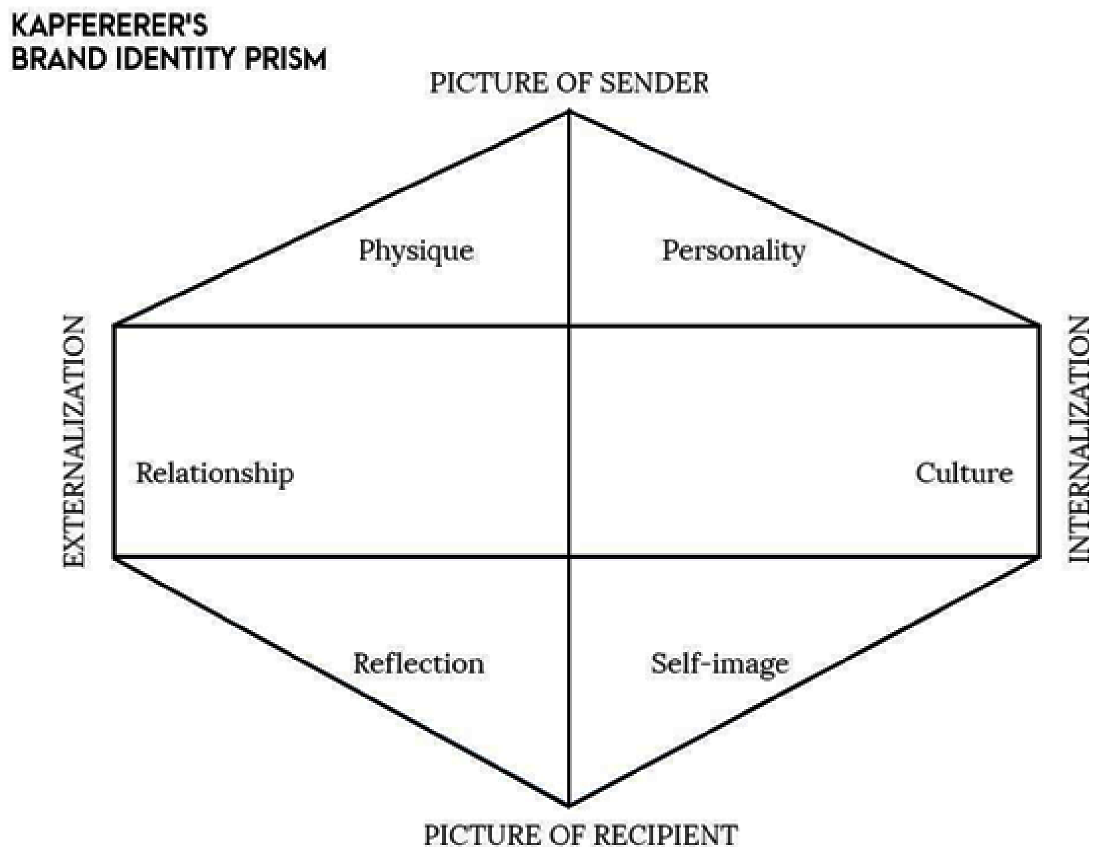
b. Notebook PCs

c. Wristwatch with camera

Elements of Branding:

1. Brand identity

The brand of course is an easily recognizable name that immediately tells people about a certain organization that manufactures certain products or renders certain services. Brand identity is the way people recognize the brand. It may be through the logo or other associated visuals. The Swoosh logo of Nike is very simple, but is immediately recognizable worldwide along with its punch line, 'Just Do It'



According to Jean-Noel Kepferer, a brand is complex symbol and capable of conveying up to six dimensions or meanings:

Physique: Physique dimension refers to the tangible, physical aspects. The physical dimensions are usually included in the product such as name, features, colours, logos, and packaging.

Example: The physique of IBM brand would be data system, servers, desktop PCs, notebooks PCs, and service, etc.

***Personality*:** Marketers deliberately may try to assign the brand a personality; or people on their own may attribute a personality to a brand. It is not surprising that people often describe some brands by using adjectives such as “young,” “masculine,” “feminine,” exciting,” “rugged,” “rebel,” “energetic,” etc., as if they are living persons. Brands usually acquire personalities because of deliberate communications from marketers and use of endorsers.

Example: Bajaj Pulsar ads communicate ‘Definitely male’. The personality of Boost is seen as young, dynamic, energetic and an achiever.

Culture**:** Culture includes knowledge, belief, rites and rituals, capabilities, habits, and values. A brand reflects its various aspects and values that drive it. Culture manifests various aspects of a brand.

Example**:** Apple computers reflect its culture. It is a symbol of simplicity, and friendliness. Its symbol (munched Apple) connotes being different from others and not following the beaten path. Mercedes symbolises disciplined, efficient, high quality German engineering.

Relationship**:** Brands are often at the heart of transactions and exchanges between marketers and customers.

Example**:** The brand name Nike is Greek and relates to Olympics, and suggests glorification of human body. "Just Do It" is all about winning, the unimportance of age, and encourages us to let loose. Apple conveys emotional relationship based on friendliness.

Relationship is essentially important in-service products.

Reflection**:** This refers to defining the kind of people who use it. It is reflected in the image of its consumers: young, old, rich, modern and so on.

Example**:** Pepsi reflects young, fun loving, carefree people. The reflection of Allen Solly's brand is a typical young executive.

However, it does not by any chance mean that they are the only users. The concept of target market is broader than reflection.

Self-image**:** This means how a customer relates herself/himself to the brand. Self-image is how a customer sees herself/himself.

Example: The self-image of users of Bajaj Pulsar motorcycle is believed to that of be tough, young males. Users of Nike see their inner reflection in the brand's personality.

2. Brand image

rand image is the idea of the brand that people develop in their minds. It also dictates what they expect from the brand. For instance, Rolls Royce has the image of a luxury car maker. So, it cannot be making a budget car even if there is a market. Its existing premium customers won't take it kindly as it dilutes the said image. It is hard and sometimes impossible to change brand image, so it is best to know what you're aiming at before you invest hard earned dollars.

3. Brand positioning

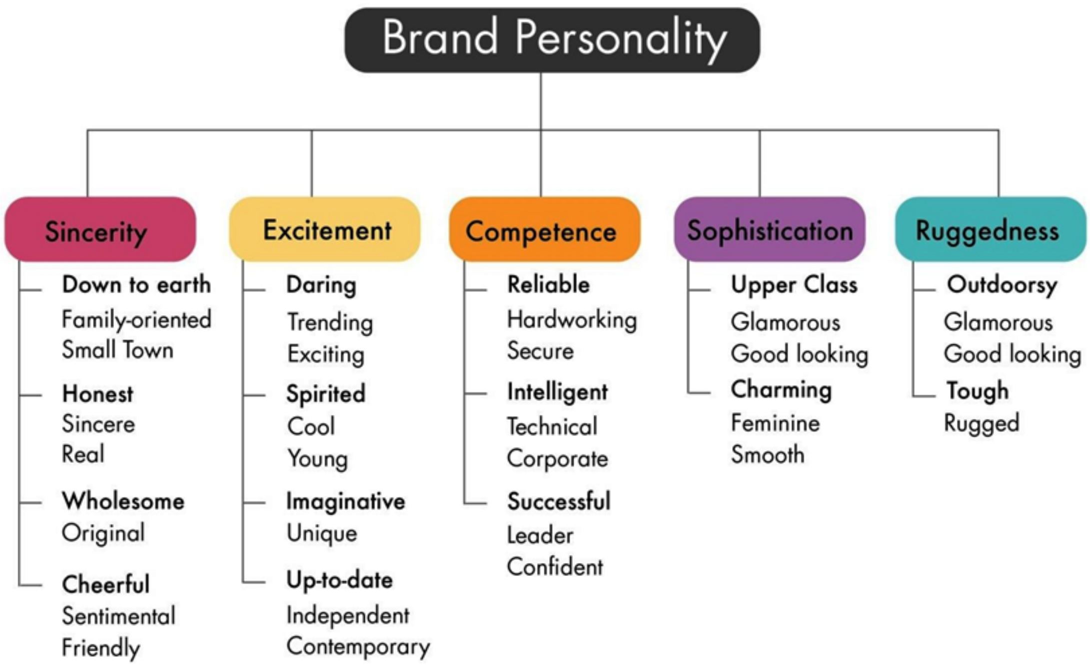
Positioning is the way a product is placed in the market. It basically defines what segments of the market it is targeting. For instance, Virginia Slims is a cigarette targeted at women. Basic ingredients in all cigarettes are same but this one has been positioned to attract women by making it slimmer in size and making the packaging sleeker.

Example –

Brands	Category	Position
Ariel	Detergent	High-tech detergent
Tide	Detergent	Whiteness no other can deliver
Head & Shoulders	Shampoo	Antidandruff shampoo with micro ZPTO
Pantene	Shampoo	Healthy & Shiny hair
Whisper	Sanitary Napkin	Hygienic protection
Vicks	Balm	Clear blocked nose by touch therapy
Old Spice	After shave	Sign of manliness

4. Brand personality

Brand personality is just like the personality of human beings. It is certain emotional or personal qualities that we associate with a particular brand. For example, we can associate youthfulness with Pepsi or ruggedness with Wrangler. Every element of the brand identity including the colour of the logo and the typography on the brand name adds to the personality.



5. Brand equity

Brand equity is the value of a brand. It may include tangible financial value such as market share and revenue as well as intangible aspects such as strategic benefits of the brand. For example Apple is a major technology brand and people perceive it is a premium, cutting edgemanufacturer of quality products. So, it is not only the sales but the sheer image that takes theequity to a different level altogether.

6. Brand experience

Brand experience is a combination of everything that a customer goes through while purchasing and using that brand. For example, how does one feel while ordering food and eating at KFC? How does the staff behave and how fast do they deliver and of course how did the food taste? Also, since it has many outlets all over the world, all of them are expected to maintain uniform standards of experience.

7. Brand Differentiation

Differentiation, as the word suggests is how a brand stands out in the crowd. For instance, Dell Computers lets people choose their components and assemble their own system, thus making it different from others who just sell readymade machines at the shop with no scope for customization.

8. Brand communication

Brand communication is the message it delivers through various sources like adverts, brochures, punch lines and hoardings. If the brand has to grow, it must be able to clearly communicate its core benefits to the customers.

9. Brand gap

Brand gap is the difference between what a brand promises to deliver in its communications and what it actually does. For its own sake, the gap should not be very high. A successful brand must be able to deliver what it promises. No amount of advertising or content marketing efforts can save a bad product.

10. Brand extension

Brand extension is basically the idea of going beyond ones origins and exploring newer fields. For example, Google started as a search engine. But now it provides many other services including emails and mobile operating systems. This is how it has extended the brand but it must be done in a manner so that the existing operations complement the newer initiatives. Google gained market intelligence through its search operations and this is what enabled it to develop other services. Films sell merchandise like clothes or toys pre/post release, which are also extensions as they go beyond the main product (the film).

One thing the firms have to consider when they are branding a new offering is the degree of cannibalization that can occur across products. Cannibalization occurs when a firm's new offering eats into the sales of one of its older offerings. (Ideally, when you sell a new product, you hope that all of its sales come from your competitors' buyers or buyers that are new to the market.) A completely new offering will not result in cannibalization, whereas a line extension likely will. A brand extension will also result in some cannibalization if you sell similar products under another brand. For example, if Black & Decker already had an existing line of coolers, portable radios, and CD players when the Dewalt line of them was launched, the new Dewalt offerings might cannibalize some of the Black & Decker offerings.

Some marketers argue that cannibalization can be a good thing because it is a sign that a company is developing new and better offerings. These people believe that if you don't cannibalize your own line, then your competitors will.

BRANDING STRATEGIES

Loyal customers are cheaper, and happy customers are likely to talk about the company in a positive light. As a result, building brand is a key to success in an enormous number of industries. There are many approaches to this, both traditional and modern, and understanding both the strategy and the potential tactical channels available is integral to making smart branding decisions:

- ***Individual Branding*** **–** This has proven highly beneficial for a number of large organizations that offer a wide variety of goods. Proctor and Gamble (P&G) is a classic example of this working successfully. P&G own the brands Dawn, Joy, Crest, Scope, Gain, Tide, Fixodent, Pepto-Bismol, Swiffer, Ivory, Olay, Old Spice, and the list goes on and on. Many of these products actually compete head-to-head. This strategy allows minimal risk of the parent company being hurt by an individual brand, and allows a sense of competition between brands. It also allows P&G to capture a variety of demographics simultaneously by positioning each brand to large consumer groups.

- ***Multi-product Branding*** **–** The inverse of individual branding in some ways, multi-product branding allows companies like Samsung, Apple, Sony, and Virgin to focus consumer loyalty on the broader parent brand. Through doing so, all investments in branding boost the brand across all product spheres. This creates some efficiency in promoting brand, but also attaches all of the risk and positioning to that one single brand name.
- ***Sub-branding*** **–** Something of a cross between individual and multi-product branding, sub-branding allows an organization to create relatively large sub-brands for given product groups. A good example is Honda and Acura, one is positioned in a higher price bracket yet both are Honda.
- **Co-*branding*** **–** As the name suggests, often companies collaborate on projects and pursue branding together. For example, Bose is often co-branded with various vehicle manufacturers. Similarly, Google is often co-branded with Samsung products. This allows each organization to benefit from each other's loyal consumer base.
- ***Iconic Branding (Attitude)*** **–** A bit less clear than the strategies above, iconic branding is all about building a persona. This persona tends to arise through stories, establishing a counter-culture, and building a community. Nike's brand is iconic, for example. By promoting the 'Just Do It' mentality, they sell a perspective alongside their products. Red Bull takes a similar approach, going so far as to sponsor amazing feats of athleticism and daring to demonstrate the values they represent. This type of branding is complex and extremely difficult to accomplish, but can build a powerful and loyal following.

Case Study: Haier: A Global Brand

Haier is the world's 4th largest white goods manufacturer and one of China's Top 100 electronics and IT companies. Haier has 240 subsidiary companies and 30 design centers, plants and trade companies and more than 50,000 employees throughout the world. Haier specializes in technology research, manufacture, trading and financial services. Haier's 2005 global revenue was RMB103.9 billion (USD12.8 billion). Guided by business philosophy of CEO Zhang Ruimin, Haier has experienced success in the three historic periods—Brand Building, Diversification and Globalization. At the 21st anniversary of founding of the Haier Group December 26, 2005, Haier announced its 4th strategic development stage of Global Brand Building. In 1993, Haier brand was officially recognized as a famous brand and in 2005 valued at RMB70.2 billion. Since 2002, Haier has consecutively been ranked first in the row of China's most valuable brands for manufacture of 15 products, including refrigerators, air-conditioners, washing machines, televisions, water heaters, personal computers, mobile phones and kitchen integrations. Haier was ranked first of China's Top 10 Global Brands by China State Bureau of Quality and Technical Supervision (CSBTS) for refrigerators and washing machines. On August 30, 2005, Haier was ranked 1st of China's Top 10 Global Brands by the Financial Times.

Haier has been widely recognized as a leader of 9 products in terms of domestic market shares and the 3rd player of 3 products in the world market and world-class company in the fields of home integration, network appliances, digital and large-scale integrated circuits and new materials. Haier has long attached significance to innovation in satisfying the demands of worldwide consumers and realizing win-win performance between Haier and clients. Haier has currently obtained 6,189 patented technology certificates (819 for inventions) and 589 software intellectual property rights. Haier has hosted and taken part in modification of about 100 China's technological standards. Haier invented technology, incorporated in the Safe Care water heaters and dual-drive washing machines, has been proposed to the IEC Criteria.

Haier's "OEC", "Market-chain" and "Individual-goal combination" management performances have been recognized worldwide. Haier's experiences have also been introduced into case studies of business mergers, and to financial management and corporate cultures of many foreign educational institutes, including Harvard University, University of Southern California, Lausanne Management College, the European Business College and Kobe University. Haier's "Market-chain" management practice has also been recommended to the EU for Case Studies, and its "Individual-goal combination" management concept has been recognized by worldwide management researchers as a feasible solution of commercial over stocks and accounts overdue.

Facing fierce global market competition, Haier has launched the global brand building strategy and updated the spirit, "Create resources, worldwide prestige" and work style "Individual-goal combination, swift action and success", with an aim to gain global recognition and sustainable development.

Haier is an example of how an Asian company can build a brand and take it beyond its national market. Haier brand which is built on quality and a commitment to offer innovative products at a competitive price, exports to over 150 countries around the world, has 13 factories spreading from Philippines to Iran to the US and recently became the no. 1 refrigerator maker in the world, overtaking Whirlpool.

Haier traces its history back to the Qingdao General Refrigerator factory, which was founded in 1958 as a cooperative to repair and assemble electric appliances. Till Chinese entrepreneur Ruimin Zhang took charge of the factory in 1984, the company struggled with its quality and incurred huge losses. Haier attracted tremendous publicity when Zhang smashed faulty refrigerators with a sledgehammer, to send out a message about his commitment to quality. Today, Haier commands approximately over 30% share of the Chinese market in white goods and had revenues of US $9.7 billion as of 2003.

True to that event, Haier has built its brand on quality. Haier's strategy has been to establish a leadership position in the domestic market before venturing into global markets. Unlike most players who concentrate on the low end of the market by offering cheap products, Haier has focused on offering innovative products at a competitive price and the brand is starting to see

PACKAGINAG, LABELLING AND WARRANTEES

Packaging refers to the physical appearance of a product when a consumer sees it, whereas labels are an informative component of packaging.

PACKAGING

With the increased importance placed on self-service marketing, the role of packaging is becoming quite significant. For example, in a typical supermarket a shopper passes about 600items per minute, or one item every tenth of a second. Thus, the only way to get some consumers to notice the product is through displays, shelf hangers, tear-off coupon blocks, other point-of-purchase devices, and, last but not least, effective packages. Considering the importance placed on the package, it is not surprising that a great deal of research is spent on motivational research, colour testing, psychological manipulation, and so forth, in order to ascertain how the majority of consumers will react to a new package. Based on the results of this research, past experience, and the current and anticipated decisions of competitors, the marketer will initially determine the primary role of the package relative to the product. Should it include quality, safety, distinction, affordability, convenience, or aesthetic beauty?

Various Packaging Designs, including labeling: Packaging refers to the physical appearance of a product when a consumer sees it, and labels are an informative component ofpackaging.

Common uses of packaging include:

- *Physical protection:* The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature, etc.

- *Information transmission:* Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments. Some packages and labels also are used for track and trace purposes.
- *Marketing:* The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been important and constantly evolving phenomenon for several decades. Marketing communications and graphic design are applied to the surface of the package and (in many cases) the point of sale display, examples of which are shown here:
- *Convenience:* Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, re-closing, use, dispensing, reuse, recycling, and ease of disposal.
- *Barrier protection:* A barrier from oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or oxygen absorbency to help extend shelf life. Modified atmospheres or controlled atmospheres are also maintained in some food packages. Keeping the contents clean, fresh, sterile and safe for the intended shelf life is a primary function.
- *Security:* Packaging can play an important role in reducing the security risks of shipment. Packages can be made with improved tamper resistance to deter tampering and also can have tamper-evident features to help indicate tampering. Packages can be engineered to help reduce the risks of package pilferage.

LABELING

A label is a carrier of information about the product. The attached label provides customers with information to aid their purchase decision or help improve the experience of using the product. Labels can include:

- Care and use of the product
- Recipes or suggestions
- Ingredients or nutritional information
- Product guarantees
- Manufacturer name and address
- Weight statements
- Sell by date and expiration dates
- Warnings

Symbols Used in Labels

Many types of symbols for package labeling are nationally and internationally standardized. For consumer packaging, symbols exist for product certifications, trademarks, and proof of purchase. Some requirements and symbols exist to communicate aspects of consumer use and safety. For example, the estimated sign notes conformance to EU weights and measures accuracy regulations. Examples of environmental and recycling symbols include the recycling symbol, the resin identification code, and the green dot.

Labeling Laws

In some countries, many products, including food and pharmaceuticals, are required by law to contain certain labels such as ingredients, nutritional information, or usage warning information (FDA). For example, a law label is a legally required tag or label on new items describing the fabric and filling regulating the United States mattress, upholstery, and stuffed article industry. The purpose of the law label is to inform the consumer of the hidden contents, or 'filling materials' inside bedding & furniture products. Laws requiring these tags were passed in the United States to inform consumers as to whether the stuffed article they were buying contained new or recycled materials. The recycling logo, needed to be displayed on the label. The Fair Packaging and Labelling Act (FPLA) is a law that applies to labels on many consumer products that states the products identity, the company that manufactures it, and the net quantity of contents.

WARRANTEE & GUARANTEES

Warranties are formal statements of expected product performance by the manufacturer. Products under warranty can be returned to the manufacturer or designated repair center for repair, replacement or refund. Extended warranties can be sold by the retailer or manufacturer to customers and can be extremely lucrative for them. It represented 30% of Best Buy`s operating profits in 2005.

Guarantees reduce the buyer's perceived risk. They suggest that the product is of high quality and that the company and its service performance are dependable. They can be especially helpful when the company or product is not that well known or when the product's quality is superior to competitors. Guarantees is more than legal statements that guides the warranties, they can be seen as extra benefits to induce consumer to buy the product. For instance, Procter & Gamble promises complete satisfaction without being more specific (General Guarantee) and A. T. Cross guarantees its Cross pens and pencils for life, repairing and replacing at no charges (Specific Guarantee).

4.6 PRODUCT LIFE CYCLE – STRATEGIC IMPLICATIONS

CONCEPT OF PRODUCT LIFE CYCLE (PLC)

The idea of product life cycle (PLC) is the hub of the product strategy. It is based upon the premise that a new product enters a 'life cycle' once it is launched in the market. The product has a 'birth' and 'death'- its introduction and decline. The intervening period is characterised by growth and maturity. By considering a product's course through the market in this way, it is possible to design marketing strategies appropriate to the relevant stage in the product's life. In addition to the stages outlined, an additional stage is often discussed- that of saturation, a levelling off in sales once maturity is reached and prior to decline. A company's positioning and differentiation strategy must change as the product, market, and competitors change over time. To say a product has a life cycle is to assert four things:

1. Products have a limited life.
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, manufacturing, purchasing, andhuman resource strategies in each life-cycle stage.

PRODUCT LIFE CYCLE STAGES

Most product life-cycle curves are portrayed as bell-shaped. These curves are typically divided into four stages: introduction, growth, maturity, and decline.

1. ***Introduction*:** A period of slow sales growth as the product is introduced in the market. Profits- are nonexistent because of the heavy expenses incurred with product introduction. Introducing a product category is relatively challenging, expensive, time consuming and quite risky.

Example: Introduction of computers would have been extremely difficult than introducing its sub-category, PCs. This is evident from the comments made by Thomas Watson, Chairman IBM, "I think there is a world market for maybe five computers." Similarly, introducing telephone would have proved a challenge compared to the introduction of cellular phones (sub-category).

Table 2: Strategy Elements Adopted by Successful Pioneers, Fast and Late Followers :

These Companies …	Adopted One or More of these Strategy Elements
Successful Pioneer	– Large entry scale. – Broad product line. – High product quality. – Substantial promotion expenditure.
Successful Fast Follower	– Larger entry scale than pioneer. – Leapfrogging the pioneer with superior: 1. Product technology 2. Product quality 3. Customer service
Successful Late Follower	– Focus on peripheral target markets or niches.

The introduction phase is likely to be long even for relatively simple product categories such as packaged goods. Generally, product sub-category and brands appear in the market during late growth and maturity period and are likely to have shorter introductory as well as growth periods. The aim of every company is to move quickly through the introduction stage and for this research, engineering, production, are critically important to ensure the availability of quality products. The company must be able to provide promptly post-purchase service and availability of spares, if required. To encourage trial and repeat purchase, consumer goods companies use a combination of demonstrations on TV, samples, special introductory prices, and coupons. The company also tries to gain distribution and shelf space with retailers.

Marketing Mix Elements During Introductory Stage: There is a vast difference between pioneering a product category and a sub-category. Introducing a product category is relatively challenging, expensive, time consuming and quite risky.

2. ***Growth*****:** A period of rapid market acceptance and substantial profit improvement.

Example: Chevrolet is in the growth stage in India.

Only a small percentage of new products introduced survive to reach the growth stage. Important improvements in the product continue, but at reduced rate. Increased brand differentiation is attempted primarily by adding new features. Product line expands to attract new customer segments. The intensity of competition increases, and competitors offer increased choices to consumers in terms of features, packaging and price.

Marketing Mix Changes during Growth Stage: At the product level, the line expands by making available products with differing features, and at different prices. The main focus now is on creating meaningful and persuasive differentiation relative to other competing brands in the category. The prices tend to decline, more so during competitive turbulence period because of price competition.

3. ***Maturity*****:** A period of a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition. The demand for the category is at its highest during maturity.

Example: Maggi, Ponds, Lux, Maruti Suzuki Alto, etc. have all reached their maturity stage but are still going very strong.

Marketing Mix Changes during Maturity Stage: Different brands in the product category tend to be more similar due to technical maturity. Companies use every trick available either to increase users or rate of usage or both, to gain volumes. Some companies try to carve out a niche in a market segment and become a niche specialist and earn high profits.

Attempts to modify product gain more importance and only a major breakthrough in R&D or engineering can help in differentiating the product, or reducing product costs can have significant payout. One option is to add value that benefits the consumer to make it easier to use the product.

Example: Radio-Internet connectivity for laptop PCs, or voice-activated dialling forcell phone is convenient for consumers.

Decline**:** The period when sales show a downward drift and profits erode. The PLC is influenced by the following factors.

a. The intrinsic nature of the product itself.
b. Changes in the macro environment.
c. Changes in consumer preferences, which are affected by macro and microenvironment.
d. Competitive action.

Sales take a nose-dive, costs increase, and profits are almost non-existent. All these factors create overcapacity. If the industry has low-exit barriers, many companies leave the market. This may increase the sales volume of remaining companies to the extent that their exit may be delayed, and for a short time strong contenders may even prosper.

Marketing Mix Changes during Decline Stage: In this stage if the ecline is slow and exitbarriers are low, prices tend to remain stable because there are still some enduring profitable segments, customers are fragmented and weak in bargaining power, and there are only few single-product competitors. In case the exit barriers are high and decline is fast and erratic, price-cuts are stiff, there are no enduring segments, only a few large single-product competitors are present, and customers exercise high bargaining power. Consumer goods companies try to persuade distributors to continue keeping the product. Companies consider the options of harvesting or divesting the product.

The 4 Life Cycle Stages and their Marketing Implications

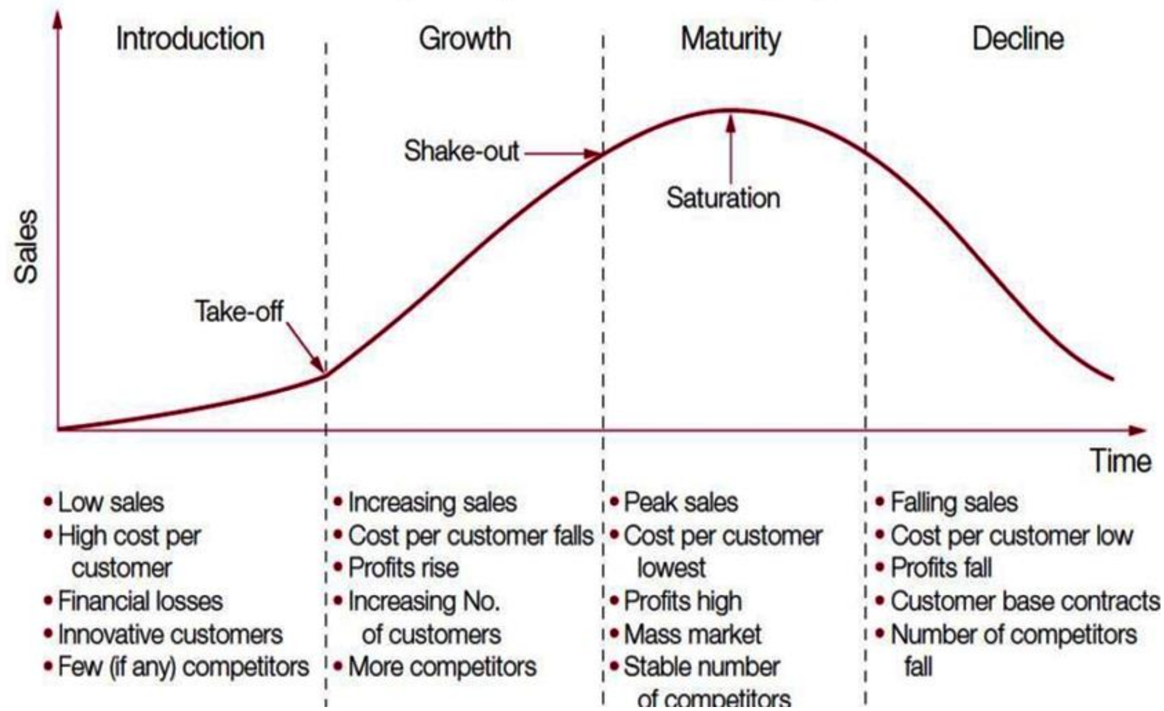


Figure-1

shows the courses for hypothetical life cycles of two different products. Because the marketing environment is essentially dynamic, even basically similar products are likely to react differently during their life span.

The last task is perhaps the most difficult, because the designation of each stage is somewhat arbitrary. The value of the concept is that once the stage has been identified, markets can be seen to display certain characteristics, which suggest specific strategy reactions.

❖ ACTIVITY- 4

State whether the following statements are true or false:

a. The profits from the product remain constant at each stage of the PLC.
b. Different strategies are required for different stage of the PLC.

Fill in the Blanks:

a. The stage at which the product stays for the longest period is the……stage.
b. During the introduction phase, profits accruing from the product are generally ……………………….
c. ……………………… pricing is a pricing strategy in which the firm sets very high introductory price for its product.
d. At ………..stage of the PLC, the firms try to create a persuasive differentiation relative to competing brands in that category.
e. Brands like Maggi and Tide are in its .... stage.
f. At……….. stage of PLC, most companies have options of either harvesting or divesting the product.

PLC Patterns

The PLC concept can be used to analyze a product category (liquor), a product form (white liquor), a product (vodka), or a brand (Smirnoff). Not all products exhibit a bell- shaped PLC. Three common alternate patterns are shown in Figure 2. Figure 2 (a) shows a growth-slump-maturity pattern, often characteristic of small kitchen appliances. Some years ago, sales of electric knives grew rapidly when the product was first introduced and then fell to a "petrified" level. The petrified level is sustained by the late adopters buying the product for the first time and early adopters replacing the product.

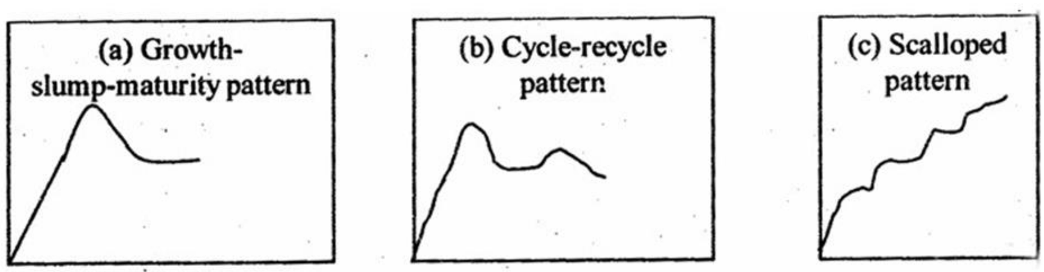


FIGURE 2: COMMON PRODUCT LIFE-CYCLE PATTERNS

The *cycle-recycle pattern* in Figure 2 (b) often describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, and this produces the first cycle. Later, sales start declining and the company give the drug another promotion push, which produces a second cycle (usually of smaller magnitude and duration).

Another common pattern is the *scalloped PLC* in Figure 2 (c). Here, sales pass through a succession of life cycles based on the discovery of new-product characteristics, uses, or users. Nylon's sales, for example, show a scalloped pattern because of the many new uses- parachutes, hosiery, shirts, carpeting, boat sails, automobile tires that continue to be discovered over time.

Style, Fashion, and Fad Life Cycles

Three special categories of product life cycles should be distinguished-styles, fashions, and fads (Figure 3). A style is a basic and distinctive mode of expression appearing in a field of human endeavour. Styles appear in homes (colonial, ranch, Cape Cod); clothing (formal, casual, funky); and art (realistic, surrealistic, abstract). A style can last for generations, and go in and out of vogue. A fashion is a currently accepted or popular style in a given field. Fashions pass through four stages: distinctiveness, emulation, mass-fashion, and decline.

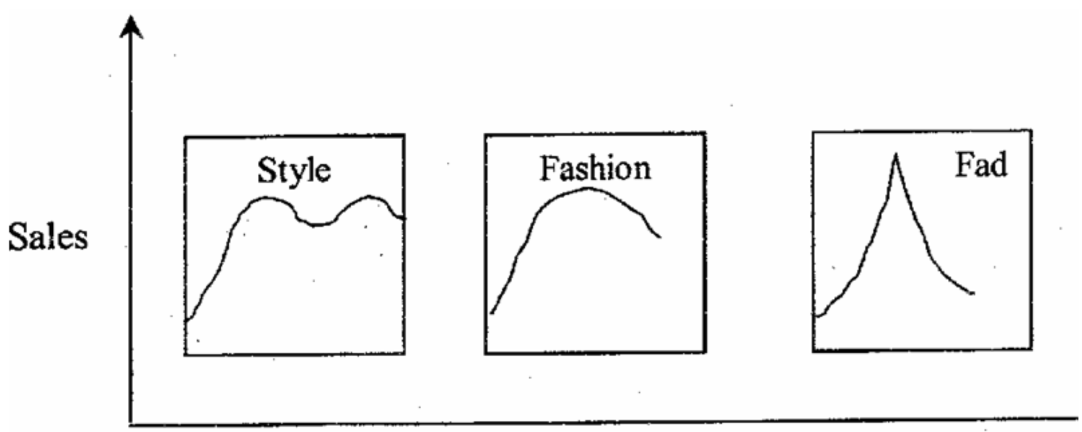


FIGURE 3: PRODUCT LIFE CYCLES IN TERMS OF STYLE, FASHION AND FAD

The length of a fashion cycle is hard to predict. Chester Wasson believes that fashions end because they represent a purchase compromise, and consumers start looking for missing attributes. For example, as automobiles become smaller, they become less comfortable, andthen a growing number of buyers start wanting larger cars.

Furthermore, too many consumers adopt the fashion, thus turning others away. William Reynolds suggests that the length of a particular fashion cycle depends on the extent to which the fashion meets a genuine need, is consistent with other trends in the society, satisfies societal norms and values, and does not exceed technological limits as it develops.

Fads are fashions that come quickly into public view, are adopted with great zeal, peak early, and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following of those who are searching for excitement or want to distinguish themselves from others. They often have a novel or capricious aspect, such as body piercing and tattooing. Fads do not survive because they do not normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power.

Characteristics	Introduction	Growth	Maturity	Decline
Sales	Low sales	Rapidly rising sales	Peak sales	Declining Sales
Cost	High cost per Customer	Average costper customer	Low cost per customer	Low cost per customer
Profits	Negative	Risingprofits	High profits	DecliningProfits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growingnumber	Stable number beginning to decline	Decliningnumber
Marketing objectives	Create product awareness and trial	Maximizemarket share	Maximize profitwhile defending market share	Reduce expenditure andmilk the brand
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brandsand items models	Phase out weak
Price	Charge cost-plus	Price to penetrate market	Price to match orbest competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build moreintensive distribution	Go selective: phase out unprofitable outlets
Advertising	Building product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard core loyals
Sales promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	In charge to encourage brand switching	Reduce to minimal level

ACTIVITY- 5

Look into the history of LUX soap and draw its product life cycle. Also try to determine the strategies adopted by the brand at each stage.

IMPLICATIONS AND LIMITATIONS OF PRODUCT LIFE CYCLE CONCEPT

There are following implications of the product life cycle theory in the marketing field:

(1) Certitude of Success:

Almost all products pass through various stages of their life cycle. A company which has come out with a new product can be sure of enjoying the market success, and the monopoly situation only for a short while. As the product becomes popular and acceptable among customers, other competitors might join with improved designs and lower prices.

As more competitors join the race, the products move towards an end. It may be possible that the growth stage for the industry as a whole extends over a sufficiently long period while it is shorter for an individual concern. Moreover, the first and innovating company will have to share the market with an increasing number of competitors.

(2) Implications in International Marketing:

The concept of product life cycle call be extended to the international marketing also. A firm tends to produce what is needed by the consumers. If the company is popular with the domestic consumers, its products may become popular and satisfy the felt need of the domestic consumers.

When a new product is first commercially exploited, it will enjoy a monopoly in the domesticmarket. If the demand for the product can be created in overseas markets, it will also enjoy the same monopoly power in overseas market but only for a time being. Initially, sales in the foreign markets may not be high.

Gradually, the market for the product will grow substantially and the company will earn high profits. Over time, the demand for the product reaches at a high level, local firms will start manufacturing. It may compete with the exporting company as it would have to pay customs and other duties and bear the transportation charges from the exporting country to the importing one.

As the demand increases, local companies would increase their production and may have similar economic gains as the exporting company enjoys. In addition, if such firm has an edge over the exporting company in relation to some other elements of costs such as low labour costs, etc., they may soon be able to compete in the third countries or even in that country itself where the domestic operations of the innovating company are based.

Therefore, a product starling with a monopoly advantage may end up where it is replaced with imports from a foreign country. For example, the U.S.A. once used to export large number of bicycles, now it is one of the largest importers because of labour cost economies in the importing countries.

One more important implication of product life cycle in the international marketing is that one can discern different life cycle patterns in different parts of the world because firms do not look to overseas markets unless their sales and profits show a downward trend in the domestic market.

In other words, firms jump to international markets only when the competitive structure of the local market hits them ‘below the belt’. It means when one product is in the maturity or declining stage in the local market it may be in the innovation of market development (1st Stage) stage in country A and in the growth stage in country B.

PLC Limitations:

The major weakness of product life cycle concept is that it is prescriptive in nature and focuses on strategies based on assumptions about different life cycle stages. Besides, it is difficult to tell what stage the product is in. A product may seem to have reached the maturity stage but it might be a temporary phase before it takes another upsurge. It ignores the fact that market forces drive the PLC reflecting consumer preferences, technology, and competition. Mary Lumpkin and George Day have strong views that greater emphasis on competitive issues and understanding the dynamics of competitive behavior can help better understand how product-market structures evolve.

ACTIVITY-6

State whether the following statements are true or false:

a. PLC model is based on assumptions and not on reality.
b. It considers the fact that market forces drive the PLC.

4.7 NEW PRODUCT DEVELOPMENT(NPD)

The NPD process consists of a series of activities that firms employ in the complex process of delivering new products to the market. Every new product will pass through a series of stages from ideation through design, manufacturing and market introduction. The development process basically has three main phases:

1. **Fuzzy front-end** (FFE) is the set of activities employed before the formal and well-defined NPD or stage-gate process.
2. **Product design** starts with the development of the new product and it ends at pre-commercialization analysis stage.
3. **Fuzzy back-end** or commercialization phase represent the action steps where theproduction and market launch occur.

PROCESS OF NEW PRODUCT DEVELOPMENT

Before its launch in a market, a new product passes through several distinct phases and the process may vary across different companies. The steps involved in the development of a new product are presented in the Table 3.

1. Idea Generation
2. Screening
3. Concept Development
4. Business Analysis
5. Product Development
6. Market Testing
7. Commercialization

1. IDEA GENERATION

Every new product starts its life as an idea. In some cases, the idea comes out of a brainstorming session, while other ideas develop as a direct response to a need in the market or a response to a competitor product.

Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features.

Lots of ideas are generated about the new product. Out of these ideas many are implemented.

The ideas are generated in many forms. Many reasons are responsible for generation of an idea.

Did you know? Toyota employees are said to contribute more than 2 million new ideas annually, and about 85 per cent of these are implemented. By studying competitors' products and services companies can find ideas.

2. SCREENING

Once the idea generation phase ends, the ideas must undergo a screening process to implement the best ideas. The object is to eliminate unsound concepts prior to devoting resources to them
The screening process typically includes a variety of general projections including cost, market reception and profitability.

It is based on following questions:

- Will the customer in the target market benefit from the product?
- What is the size and growth forecasts of the market segment / target market?
- What is the current or expected competitive pressure for the product idea?
- What are the industry sales and market trends the product idea is based on?
- Is it technically feasible to manufacture the product?
- Will the product be profitable when manufactured and delivered to the customer at thetarget price?

3. CONCEPT DEVELOPMENT /TESTING

The concept development and testing phase seeks to gauge consumer reaction to the overall idea of the new product.

Large companies often use focus groups to collect data about whether consumers would buy the product, how often they might purchase and acceptable price levels. Small-business owners can use focus groups, though informal questions to existing customers can also yield valuable information about interest in a new product.

It is based on the questions:

- Who is the target market and who is the decision maker in the purchasing process?
- What product features must the product incorporate?
- What benefits will the product provide?
- How will consumers react to the product?
- How will the product be produced most cost effectively?
- Prove feasibility through virtual computer aided rendering and rapid prototyping
- What will it cost to produce it?

Caselet: Concept Testing of a New Mosquito Repellent

Product Description

A consumer product company is considering the development and launch of a new mosquito repellent. This product would consist of a liquid dispenser, much like deodorant containers, you are familiar with. The mosquito repellent easily comes out from the nozzle and rapidly spreads in vapour when its push-button release is pressed lightly. Only a small amount of repellent is dispensed with each press and is mildly perfumed. The chemical used is completely non-toxic for humans and pets. Only 5 ml. of repellent is enough for a room measuring 14 × 12 sq. feet and its effect persists for two days after the room is sprayed just once.

Please answer the following questions:

1. How do you feel about using this type of product in your home?
2. What major advantages do you see over existing products that you currently use to get rid ofmosquitoes?
3. What attributes of this product do you particularly like?
4. What suggestions do you have for improving this product?
5. If it is available in pressurized 300 ml. containers at an appropriate price, how likely are you to buy hisproduct?

   Very likely Moderately likely Unlikely

6. Assuming that a container will last for 15 days in a 3-bedroom house, approximately how much wouldyou pay for this product?

Major techniques of concept development:

- **Problem based Ideation:** This starts with the understanding of needs of problems of the target market. This can be achieved by a systematic analysis of internal documents ofthe company.

- **Attribute based Ideation:** As the name suggests, it is any change or modification in product by altering one or more culture products attributes. In this method, panel are employed to force a change in all the possible attributes of the product. In which we mainly use relationship analysis.

4. BUSINESS ANALYSIS

If the new idea survives the concept development and testing phase, a business needs to put together a formal analysis of the new product's viability. In general, this analysis encompasses production costs and expected profit margin, as well as total market size for the product. Businesses must also weigh the product's position within the business brand.

The evaluation process focuses on answering a number of questions such as: Does the product gel with the company's existing product mix? Is the demand likely to be strong and enduring enough to justify its introduction in the market? What kind of change with regard to environment and competition can be anticipated and what is likely to be the impact on product's future sales, costs, and profits? Are the R&D, engineering, and manufacturing capabilities of the company adequate? In case there is need to construct new facilities, how quickly can they be built and what would be the costs involved? Is the finance available or can it be obtained consistent with a favourable ROI?

Estimate the following -

- Likely selling price based on competition and customer feedback.
- Sales volume based on size of market.
- Profitability and break-even point.

5. PRODUCT DEVELOPMENT

Product development calls for the actual creation of a product such as a working model or running a short-term test with a new service.

Most businesses also consider and develop marketing materials during this phase. The product development phase often follows a rinse-and-repeat model of refining the product and marketing, then testing again with customers or focus groups.

The product concept is converted into a prototype/ working model to evaluate its acceptability. The prototype development may take anything between a few days to even years in some rare cases. The prototype should reveal its tangible and intangible attributes that consumers might associate with it to meet their needs and wants. Marketing research and concept testing reveal product attributes that are important from a consumer's view point. The product design should be such that it communicates these characteristics. Laboratory and field tests are conducted for the product's performance, convenience, safety, and other functional characteristics.

Example: Apple computer subjects its PowerBook to many rigorous tests and one such test involves heating the computer notebook in ovens to 140 degrees. 200 Gillette employees test company products such as razors, blades, shaving creams, or aftershave under instructions of technicians every day and afterwards fill out a questionnaire.

6. MARKET TESTING

Produce a -

- Physical prototype or mock-up to test the product (and its packaging) in typicalusage situations.
- An initial run of the product and sell it in a test market area to determine customeracceptance.

Test marketing is a fairly time-consuming process and has to be conducted for a sufficiently long period to collect reliable information. The period of testing may be anywhere between a few months to one year. Much depends on the company's investment level and risk perceptions as well as time pressures. Market testing takes the product and offers it to a limited group or geographic region. Large companies may also use computer simulations to mimic customer responses.

For small businesses that typically cater to a small geographic region or a specific market segment, the market testing phase is often skipped. Besides being expensive, competitors may attempt to interfere by increasing advertising and other promotions, and lowering prices. This may affect the accuracy of test results. In case the product seems to be a success, competitors may copy it without spending heavy resources and introduce their product, while the original product is still in testing stage. Simulated test marketing ensures relative safety because of its quicker speed, lower costs, and tighter security.

Did you know? According to Leslie Brennan, Gillette's PersonalCare Division spends less than $200,000 for a simulated test.

7. COMMERCIALIZATION

This step involves-

1. Launching the product.
2. Producing and placing advertisements and other promotions.
3. Filling the distribution pipeline with product.

After reviewing the results of test marketing, it is determined if any changes in the marketing mix are required before its full-scale introduction. Cyndee Miller reports that only 8 per cent of new-product projects reach the commercialization stage. During this stage, the plans for full-fledged production and marketing must be refined and set, and budgets for the new product must be prepared. The size of manufacturing facility would be a critical decision. Marketing is another area of major consideration. To launch packaged consumer products nationwide, the company needs huge resources to undertake advertising and promotion for at least one year. Timing of market entry of a new product is also important.

Companies generally do not launch new products overnight but adopt the rollout method. They introduce the product in stages. It is first introduced in a region (it could be a country for global players) and subsequently in adjoining areas, states, or countries. Cities where test marketing has been conducted are sometimes chosen as the initial marketing area as a natural extension of test marketing. The major factor that may favour this approach is if the product fails, the company will suffer smaller losses. Also, if the company does not already have a wide network in place, it would take considerable time to set up a distribution network.

Did u know? *According to Leslie Brennan, Gillette's Personal Care Division spends less than $200,000 for a simulated test.*

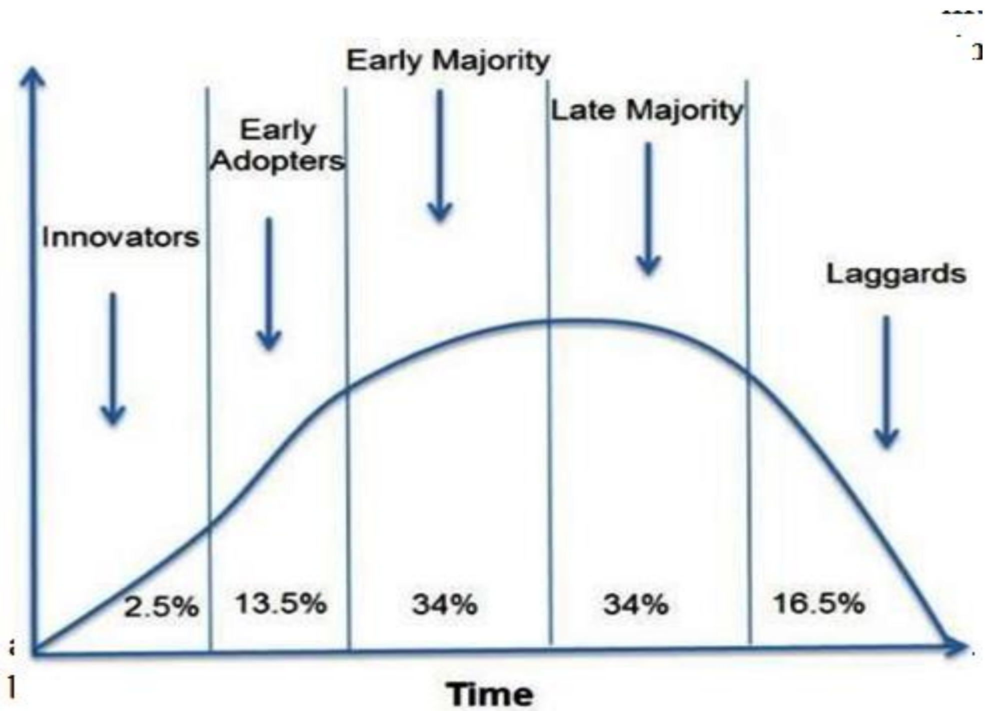
Phases	Marketing Activities
Idea Generation	Searching for new product ideas from internal and external sources.
Idea Screening	Select the most promising ideas and drop those with only limited potential. Study the needs and wants of potential buyers, the environment, and competition.
Concept Testing	Describe or show product concepts and their benefits to potential customers and determine their responses. Identify and drop poor product concepts. Gather useful information from product development and its marketing personnel.
Business Analysis	Assess the product's potential profitability and suitability for the market-place. Examine the company's research, development, and production capabilities. Ascertain the requirements and availability of funds for development and commercialization. Project ROI.
Product Development	Determine technical and economic feasibility to produce the product.Convert the product idea into a prototype. Develop and test various marketing mix elements.
Test Marketing	Conduct market testing. Determine target customers' reactions. Measure its sales performance. Identify weaknesses in product or marketing mix.
Commercialization	Make necessary cash outlay for production facilities. Produce and market the product in the target market and effectively communicate its benefits.

4.8 CONSUMER ADOPTION PROCESS

Consumers go through 5 stages in the process of adopting a new product.

1. **Product Awareness** The consumer becomes aware of the new product but lacks information about it. Awareness leads to interest and the customer seeks information about the new product.
2. **Product Interest** Once the information has been gathered, the consumer enters the evaluation stage and considers buying the new product.
3. **Product Evaluation** Next, in the trial stage, the consumer tries the product on a small scale to improve his or her estimate of its value.
4. **Product Trial** The consumer tries the new product on a small scale to improve his or her estimate of its value. If the consumer is satisfied with the product, he or she enters the adoption stage, deciding to use the new product fully and regularly.
5. **Product Adoption** The consumer decides to make full and regular use of the new product.

Classification of Adaptors: The standard consumer adoption categories include:



Adopters can be classified into five groups based on the time when they adopt:

a. ***Innovators:*** The first 2.5 per cent to adopt innovation.

b. ***Early adopters:*** The next 13.5 per cent to adopt.

c. ***Early majority.*** The next 34 per cent to adopt.

d. ***Late majority:*** The next 34 per cent to adopt.

e. ***Laggards:*** The final 16 per cent to adopt.

a. Innovators (2.5%)

Innovators are some risk takers. They are younger, more educated and socially mobile. They have the capacity to absorb risk associated with the new product. They are cosmopolitan in outlook, are aware and make use of commercial media, and eager to learn about new products, are progressive, ready to use new products.

b. Early adopters (13.5%)

They take a calculated risk before investing and using new innovations. They are opinion leaders and provide information to groups, but they are also concerned about failure. Therefore, they weigh advantages and disadvantages of the product before plunging in for a purchase.

c. Early majority (34%)

They tend to be more continuous and use the product after the innovators and early adopters seem to be satisfied with it. They are elders, well-educated and less socially mobile. They rely heavily on inter-personal source of information. They constitute 34 per cent of the consumers.

d. Late majority (34%)

They are doubtful and skeptical about the innovation of new products. They tend to use the product not so much because of innovation, but because of other pressures non-availability of the product and social pressures. They have less social status and are less socially mobile than previous group. They are average in age, education, social status, income. They make little use of media (Magazine etc.). They rely heavily on informal sources of information.

e. Laggards (16% of a Market)

They are more traditional. They possess limited social interaction and are oriented to the past. They adopt the innovations with great reluctance. They have the least education, lowest social status and income. They possess no opinion leadership and are in touch with other laggards and do not subscribe to many magazines.

❖ **CHECK YOUR PROGRESS**

- **QUESTIONS**

1. Write down the answers to the following questions for the purpose of revision. It you want, you can refer back before answering the questions. Explain the following:
   "People do not buy a product; they buy benefits"
2. Explain the meaning of the expression `Product Mix'. State the reasons why companies or organizations generally diversify their range of products.
3. Explain the meaning of Product diversification, particularly distinguishing betweenrelated and unrelated diversifications.
4. How do brands help companies market their products?
5. Name the basic types of packaging used in marketing.
6. Discuss the importance of branding.
7. Explain the process of brand name selection. Also explain the desirable qualities of a brand name.
8. Explain the concept of multiple branding.
9. What prompts a middleman to have his own brand name and what are challengesbefore him in doing this?
10. Write short notes on following:
    a. Brand extension vs. line extension
    b. National manufacturer's dilemma
11. What important attributes would you look for in a medium-priced car?
12. Differentiate between line pruning and line stretching with the help of examples.
13. Determine and explain the branding strategy of any one Indian company.
14. Give examples of the Indian companies that follow line branding and double branding strategies. What are the benefits of following these strategies, for the companies?
15. Explain the concept of product life cycle, with suitable illustrations.
16. Describe each of the main stages of the product life cycle, and strategies thereof.
17. How can we criticize the PLC concept? Support your answer with examples.
18. Give relevant examples of certain brands for each stage of the PLC.
19. Determine the PLC of Tata Nano. Give relevant justification for your answer.
20. Describe the strategies used by an airlines brand at different stages of the PLC.
21. Compare and contrast the marketing strategies used by any two brands (from thesame product category) that are at the growth stage of their PLC.
22. List the sources of new product ideas.
23. What kind of criterion is likely to be taken into account during the idea

screeningstage?

24. What is concept testing and why is it a crucial stage in new product development?
25. What is marketing strategy development? Do you think it is appropriate to developmarketing strategy even before the product is ready?
26. How will you conduct business analysis for developing new products?
27. Discuss the process of converting idea or concept in physical shape. Differentiate
28. between test marketing and market testing and discuss the process of test marketing.
29. How can a company launch a new product? Explain with the help of suitableexample.

- **MULTIPLE CHOICE QUESTIONS:**

1. Attractiveness of the market offering depends on:

a) Value-based prices

b) Product features and quality

c) Services mix and quality

d) All of the above

2. When a marketer plans its offering, it needs to address______product levels.

a) Four

b) Three

c) Five

d) None of the above

3. When a marketer plans its offering and addresses five key product levels, it forms a __

a) Customer value hierarchy

b) Company value hierarchy

c) Market value hierarchy

d) None of the above

4. The first level in the customer value hierarchy is _____

a) Core benefit

b) Basic product

c) Expected product

d) Augmented product

5. **At the second level of customer value hierarchy, marketers need to turn core benefit into**
   a) Expected product
   b) Augmented product
   c) Basic product
   d) None of the above
6. **At the third level of customer value hierarchy, marketers need to design a(n)**
   a) Expected product
   b) Augmented product
   c) Basic product
   d) None of the above
7. **When it is about fourth level of customer value hierarchy, marketers need todesign____________that exceed customers' expectations.**
   a) Expected product
   b) Augmented product
   c) Basic product
   d) None of the above
8. **At the fifth level, marketer gets a(n) ________________that has all the transformations and augmentations the offering or product might undergo in the future.**
   a) Expected product
   b) Augmented product
   c) Basic product
   d) Potential product
9. **Product line stretching in which company serves middle market to enter both low-priced and high-priced product lines is called**
   a) left-market stretch
   b) down-market stretch
   c) up-market stretch
   d) Two-way stretch

10. **Factors that can help differentiate services include**
    a) delivery and installation
    b) customer training and consultation
    c) ordering ease
    d) all of the above
11. **Factors that can help in differentiation of services include**
    a) delivery and installation
    b) customer training and consultation
    c) ordering ease
    d) all of the above
12. **Which of the following is one of the five dimensions of customer-based brand equity given by Walfried Lasser, Banwari Mittal and Arun Sharma?**
    a) Performance
    b) Image
    c) Vision
    d) Worthiness
13. **_______is the key concept intervening between the brand and its equity.**
    a) Brand name
    b) Brand identity
    c) Co-branding
    d) Brand image
14. **____Strategy combines umbrella branding and product branding strategies.**
    a) Single branding
    b) Family branding
    c) Double branding
    d) Line branding
15. **Which of these companies follows umbrella branding?**
    a) Philips
    b) Tata

c) Reliance

d) Bajaj

16. Which of these is a brand of Cadbury?

a) Kit-Kat

b) Chloromint

c) Mentos

d) Halls

17. Which of these is not a creative method used by companies to generate ideas?

a) Brainstorming

b) Hypothesis testing

c) Forced relationship

d) Reverse assumption analysis

18. A ……………………… error occurs when the company rejects, which is otherwise a promising idea on further consideration.

a) Go

b) Drop

c) Pass

d) Default

19. At ……………………… stage, some firms use rapid prototyping (a computer- aided design programme) to design small appliances and produce plastic models.

a) Idea generation

b) Concept testing

c) Product development

d) Test marketing

20. In technique of test marketing, consumers are offered free samples for trial and they may also be exposed to one or more ads.

a) Sales wave

b) Controlled simulation

c) Controlled test marketing

d) Simulated test marketing

- **KEY WORDS**

Consumer Goods are goods that are purchased by the end user requiring no further commercial processing.

Diversification implies that a company has moved from one product to marketing more than one product.

Product or Goods is a composite of the characteristics and features—physical and psychological—which are offered for purchase by a customer (consumer or an industrial purchaser). (In the marketing sense, a product is a bundle of **benefits**physical or psychological—offered to a customer.)

Product Item refers to a specific product or a brand.

Product Line refers to a group of products which are closely related as satisfying a class of need.

Product Mix is a composite of products which are offered for sale by an organization and may consist of different types of products which may or may not be interrelated.

Brand extension decision: Any effort to use a successful brand name to launch product modifications or new products.

Packaging: A general group of activities in product planning that involves designing and producing the container or wrapper for a product.

Advertising: Non-personal forms of communication conducted through paid media under clear sponsorship.

Brand Equity: It can be a useful measure of the value contained in a brand. It can help evaluate brand extensions, create partnerships and provide certainty around market share expectations.

Brand Identity: It refers to a unique set of brand associations that the brand strategist aspires to create or maintain.

Brand Image: It involves the impression in the consumers' mind of a brand's total personality which is developed over time through advertising campaigns with a consistent theme, and is authenticated through the consumers' direct experience.

Product: A product is anything, which is offered to the market to satisfy consumer needs and wants.

Product Line: A set of individual products that are closely related.

Multiple branding: Strategy consisting of seller developing two or more brands in the same product category.

Services: Intangible 'for hire' activities that may benefit, support or satisfy the consumer.

Introduction stage: A period of slow sales growth as the product is introduced inthe market.

Growth stage: A period of rapid market acceptance and substantial profit improvement.

Maturity stage: A period of slowdown in sales growth because the produced has achieved acceptance by most potential buyers.

Decline stage: The period when sales show a downward drift and profits erode.

Style: A style is a basic and distinctive mode of expression appearing in a field of human endeavour.

New product development process: It describes a sequential process that converts idea into commercially viable products.

Licensing: It is a contractual relationship in which a manufacturer (licensor) who owns trade-mark or patent rights of a product or technology allows another organization (licensee) to manufacture and market that product in lieu of a fee or royalty.

Drop-error: It occurs when the company dismisses an otherwise goods idea.

Go-error: It occurs when the company permits a poor idea to move into development and commercialization.

Core ideas: It consists of short, general statements of what the product can do.

Alpha testing: To test the prototypes of product within the firm to see how it performs in different applications.

Beta testing: It enlists a set of customers to use the prototype and give feedback on their experiences.

Market testing: A method of testing a company's marketing plan for a newproduct before going commercial.

Critical path scheduling: It calls for developing a master chart showing the simultaneous and sequential activities that must take place to launch the product.

Business analysis: It includes a detailed study of the potential profitability of new product idea.

UNIT-5

PRICING DECISIONS

5.1 INTRODUCTION

Price is the value placed on what is exchanged. Pricing decision is one of the most critical decisions of marketing mix. It is the economic value or exchange value of a product expressed in money. The buyer exchanges purchasing power which depends on the buyer's income, credit and wealth for satisfaction or utility.

Historically speaking, pricing was a simple fundamental thing and people looked at it as just a simple calculation. There was a specific cost of product to be manufactured or made, a certain desired profit level was predetermined by the seller or maker of the goods and the selling price was determined without any major calculations or obstacles. However, as competition became more severe in the marketplace, the implication of pricing also started changing and it evolved from mere calculation to properly framed pricing policies and strategies. Today, pricing stands as a powerful tool for responding to competitors. Pricing is a fundamental aspect of any financial model and is one of the four Ps of the marketing mix. Within the marketing mix, pricing isthe only revenue generating element; the remaining three are cost centres and hence rising holds its importance in the marketing mix and every marketing strategy.

The word price has different meanings for different people; a retail store owner calls it Maximum Retail Price (MRP), a banker calls it capital and interest, a road developer calls it toll tax, a transporter calls it freight, a landlord calls it rent and so on. It affects profits of the company on the one hand, and product purchase decision of the consumers on the other hand. Price is one of the major determinants of one’s purchase decision. Price is the key element in the marketing mix because it relates directly to the generation of revenues.

A company must formulate effective pricing policies to get positive market response. They must continuously fine-tune pricing related issues to continuously get a response during different demand situations. While deciding on the price of a product, a company must take into account the cost of production and marketing on the one handand the expectations and the paying capacity of the target market on the other hand.

- **DEFINITIONS**

“Pricing is the method of determining the value a producer will get in the exchange of goods and services. And the proper method can be used to set the price of the producer's offering such that it is conducive to the producer and the customer both."

"Pricing is the process whereby a business sets the price at which it will sell its products and services and maybe a part of the businesses marketing plan. In setting the prices, the business will take into account the price at which it acquired the goods, the manufacturing cost, competition, market conditions, branding and productquality."

"Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk-taking ability. A pricing strategy takes into account segments, inability to pay, market conditions, competitor actions, trade margins and input costs amongst others. It is targeted at defined customer and against competitors."

"Pricing refers to a method that companies use to price their products or services. Almost all companies, small or large, base the price of their products and services keeping in mind the production cost, distribution cost, advertising, branding, etc. and then add a certain percentage so as to earn profit."

The long-term survival of the firm is best served through profit which is directly and positively related to the price. The price is capable of creating psychological impact on consumers. Pricing decisions are not fully under the control of the firm. There are internal and external factors that pose constraints in taking pricing decisions. Among the internal factors, organizational, cost and other marketing variables are important. External factors comprise demand, competition, distribution channels and legal and government regulations.

- **EXTRACTS FROM THE DEFINITIONS**

1. Price is the economic value of the product (good and service) normally expressed in term of money.
2. Price is an agreement between sellers and buyers at which goods and servicesare exchanged for money.
3. Price is the specific value at which the product is exchanged; it is an exchange value of a product expressed in monetary form.
4. The price of product according to marketer indicates economic value of all theoffers or benefits given by the seller to buyers.
5. Price, according to consumer, is the perceived value of goods and services paidfor total (physical, economic, social, and psychological) satisfaction.
6. Price is the mechanism or device for translating perceived value of product intoquantitative terms, i.e., in rupee and paisa.

5.2 OBJECTIVES OF PRICING

Pricing is the method used by a company to fix or change its price with regard to costs, sales and profit targets, pricing policies of competitors and perceived value of the product by customers. Pricing involves a series of decisions to be taken before determining the price of a product. Every organisation works on some specific purpose or objective what we otherwise know as organisational objectives; these organisational objectives translate into the various policies and strategies made by the company and hence would also involve pricing. With environmental changes, growth and expansion of the organisation these objectives keep changing time and again. And the purpose of pricing also changes accordingly. Most of the pricing decisions are based on the kind of objectives pricing is supposed to achieve and these objectives are related to sales volume, profitability, market share, competition etc. Some of these pricing objectives are stated below:

1. PROFIT RELATED OBJECTIVES

Profit has remained the focal point of most business activities. Profit is often the central objective of most pricing policies and strategies created by companies.

i) **Maximising current profit:** According to this objective, a company tries to set its price in such a way so as to maximise current profit. Though a company is not always in a position to set any price that it feels fit, but it tries to concentrate on some profits as possible. Normally, a skimmed pricing strategy focuses on maximising profits. Of course, it can only become possible if the company's market position and market share is favourable.

ii) **Target return on investment:** When a company makes investment into a new product or research and development, it normally first tries to focuson recovering the investments made in expenditures incurred. A company tries to set its pricing policy in such a way that it yields a certain targeted return on the investment made. For example, company decides to earn 20% return on total investment of Rs. 30,00,0000. Company sets it pricein a way that the objectives can be satisfied.

2. SALES RELATED OBJECTIVES

It is a well understood fact that revenues flow only if sales are made. It is natural for companies to price their products keeping in mind the sales approach. The better the sales of a company, the more prosperous would be its financial condition.

i) **Sales growth**: Here, the aim of the company is to increase the sales volume. The company tries to set a price in a way that a higher level of sales can be achieved. It is well understood that sales growth has a direct and positive impact on profits. So, pricing decisions are taken in a certain way that sales volume can be boosted. Setting price, alteration in price and modifying pricing policies are targeted to improve sales.

ii) **Target market share:** A market share is a specific volume of sales data mined in the light of total sales in an industry. Every company today aims to dominate markets. One way to do this is by enhancing the market share. A lot of companies aim their pricing policies so as to attain certain determined market share. For example, a company may try to achieve a 25% market share of the total market and may try to achieve this through a targeted pricing policy. When a company assumes that its market share is below what is expected, it can raise it by appropriate pricing and the pricing policy is aimed at improving the market share.

3. COMPETITION RELATED OBJECTIVES

Competition in today's time is an unavoidable factor affecting market performance of any company. Most companies today try to face competition by creating appropriate business strategies. Pricing strategies are often an important ingredient to the larger competitive business strategies. Some of the competition related objectives of pricing are discussed below:

i) **To Face Competition:** Pricing primarily concerns with facing competition. Today's market is characterized by the severe competition. Company sets and modifies its pricing policies so as to stand and respond to the competitors strongly. Many companies use price as a powerful means to react to level and intensity of competition.

ii) **To Keep Competitors Away:** To prevent the entry of competitors can be a strong objective of pricing. The phrase 'prevention is better than cure' is applicable here. It is important for companies to keep competition at bay,and one way to do this is by maintaining a price dominance in the market. Many companies today are successful in keeping competition away by following either low or competitive pricing strategies. Though it may sometimes even translate into lower profits. But it is still an affordable cost to bear if it is a company with a strong competitive edge.

iii) **To Achieve Quality Leadership by Pricing:** Creating a strong impression of premium quality in consumers' minds can be a huge competitive advantage for any company. Pricing is also targeted to achieve quality leadership. A company designs its pricing policies in sync with image building of its product being standard and even superior to what its competitors offer.

iv) **To Remove Competitors from the Market:** As discussed in the previous point, many companies manage to maintain competitive dominance in the market due to their low or favourable pricing policies. If a company has a strong market share and aims a pricing policy that is competitive it may manage to remove or reduce competition for itself in the market as the weaker players in the market will not be able to match the pricing strategies as compared to the companies that follow a more robust pricing strategy.

4. CUSTOMER RELATED OBJECTIVES

Today, most companies with good marketing focus keep customers in the centre ofall their marketing decisions. A lot of pricing strategies are focused keepingin mind the consumer's interest in maintaining a longer consumer focus. The following are some consumer centric pricing objectives:

i) **To win the confidence of the customer:** The customer is the centre point of any company that follows good marketing practices. And pricing isoften used as a tool to win the confidence of its customers and target market. The company often tries to establish a strong confidence in the minds of its consumers by following an appropriate pricing policy that is convincing to the consumer.

ii) **To satisfy customers:** Any marketer's ultimate goal is to attain a satisfied customer and all his efforts including pricing are ultimately directed to get satisfied customers. The pricing policies of the company are also often designed and from time and again redesigned to suit the customer's mind-set. In a nutshell, a company’s pricing policy is designed to result into maximum consumer satisfaction.

5. OTHER OBJECTIVES

Apart from the pricing objectives discussed above, there are certain objectives that acompany wants to achieve by pricing. They are as follows:

i) **Market Penetration:** It concerns with entering deep into the market. To attract maximum number of customers. This objective calls for charging the lowest price to win price sensitive buyers.

ii) **Promoting a New Product:** To promote a new product successfully, company sets its price low at the initial stage to encourage for trial and repeat buying. The sound pricing can help company introduce a new product successfully.

iii) **Maintaining Image and Reputation in the Market:** Company's effective pricing policies have positive impact on its image and reputation in the market. Company, by charging reasonable price, stabilizing price, or keeping fixed price can creates a good image and reputation in the mind of target customers.

iv) **To Skim the Cream from the Market:** This objective concerns with skimming maximum profit in initial stage of product life cycle. Because a product is new, offering new and superior advantages, company can charge relatively high price. Some segments will buy product even at a premium price.

v) **Price Stability:** Company with stable price is ranked high in the market. Company formulates pricing policies and strategies to eliminate seasonal and cyclical fluctuations. Stability in price has a good impression on the buyers. Frequent changes in pricing affect adversely the prestige of company.

vi) **Survival and Growth:** Finally, pricing is aimed at survival and growth of company's business activities and operations. It is fundamental pricing objective. Pricing policies are set in a way that company's existence is not threatened.

5.3 FACTORS AFFECTING PRICING DECISIONS

Pricing is a sensitive matter for any company and there are a large number of factors that affect pricing decisions. Every organisation is exposed to use a number of internal and external environmental elements which directly or indirectly affect the working of every organisation. A lot of these elements or factors are controllable and a larger number of them are uncontrollable and so the policies and strategies of the organisation will have to embrace these changing environmental factors. The pricing policy is not immune to these factors and so will have to change or match with these factors. These factors may be related to competition, market, product, customer, etc. A company often brings about several variations in its pricing such as high or low, fixed or variable, equal or discriminative and so on to match with the factors affecting it. The factors influencing pricing have been broadly categorised into two categories: internal and external factors. Some of these factors have been detailed below:

- **INTERNAL FACTORS**

Internal factors are internal to an organisation and hence are controllable or semi-controllable. These factors play a vital role in the pricing decisions. They are also known as organisational factors. Managers, who are responsible to set price and formulate pricing policies and strategies are often required to know adequately aboutthese factors. Some of these internal factors are given below:

1. Top Level Management

Top management of the company has full authority over issues related to pricing. Marketing manager's role is administrative. The philosophy of top-level management is reflected in the form of pricing also. How does top management perceive price? How far is pricing considered as a tool for earning profits, and what is importance of price for overall performance? In short, overall management philosophy and practice has a direct impact on pricing decisions. Price of the product may be high or low; may be fixed or variable; or may be equal or discriminative depends on top-level management. Companies often offer discriminative pricing to different types ofcustomers so as to give a different bargain to customers of different status. Many marketers follow a strong policy of fixed rates, which is usually indifferent to the changing demand and supply. So, we can say the thinkingand the philosophy followed by the top-level management will have a lot of impact on the pricing policy of the company.

2. Elements of Marketing Mix

Price is one of the important elements of marketing mix. Therefore, it must be integrated to other elements (promotion, product, and distribution) of marketing mix. So, pricing decisions must be linked with these elements so asto consider the effect of price on promotion, production and distribution, and effect of these three elements on price. For example, high quality product should be sold at a high price. When company spends heavily on advertising, sales promotion, personal selling and publicity, selling costs will go up, and consequently, price of the product will be high. Hence the other elements of the marketing mix will have a resultant effect on the pricing of the products of the company.

3. Degree of Product Differentiation

Product differentiation can be defined as the degree to which company's product is perceived as different as compared to the products offered by the close competitors, or to what extent the product is superior to that of competitors in term of competitive advantages. Product differentiation is an important guideline in pricing decisions. Differentiation can also be brought about by the pricing policy. The theory is, the higher is the product differentiation, the more will be freedom to set the price, and the higher is the price. Contrastingly, a marketer can also use pricing as a tool to differentiate in the market which may sometimes be lower price and it can also be premium pricing.

4. Costs

Costs and profits are two dominant factors having direct impact on selling price. Here, costs include product development costs, production costs, and marketing costs. It is very simple that costs and price have direct positive correlation. However, production and marketing costs are more important in determining price. The higher is the cost of a product the higher will be the price and conversely lower is the cost of the product marketer will have more freedom to set pricing.

5. Objectives of Company

Similar to the philosophy of the top management of a company, the company's objectives affect price of the product. Price is set in accordance with general and marketing objectives. Pricing policies must reflect the objectives of company. There are many objectives, and price is set to achieve them. (For detail, see objectives). Many essential products sold by the government or various NGOs are often priced with the social intent and not following the general market and demand principles, and these products are often priced even lower than the cost but the objective of the organization here is public interest and not earning profits. Hence the pricing policy of an organization will always have a strong impact of the kind of philosophy and objectives followed by the organization.

6. Stages of Product Life Cycle

A product goes through various stages in its entire life cycle. The product and market status at each of the stages of the life cycle will differ. The marketers response and strategy at each stage of the product life cycle is also different and hence the pricing policy of the product will also change with the changing product life cycle stage. Say for example, in the introduction and growth stage of the product life cycle the market does not intend to on but rather grow the market share and establish in the market and so the pricing may be low or competitive. At the majority stage the marketer would generally stand on an established market share and so the intent is to earn profits from the investment made during the growth and introduction stage.

7. Quality of Product

Quality affects price level. High quality product is mostly sold at high price and vice versa. And customers are also ready to pay high price for a standard product. Of course, one factor that matters here is also the perception of the consumer about quality.

8. Brand Image and Reputation in Market

The whole fundamental of branding lies in the fact as to how the consumer perceives a product and what image he carries about the product in his mind. Brand image and reputations of company are also added in the value of product and this would reflect in the pricing policy of the company. Generally, the company with reputed and established brand, charges high price for its products. A lot of premium branded products use their product differentiation and premium on the basis of differentiated or high pricing.

9. Category of Product

Product categories influence costs, profits, brand image, objectives and other variables. Product may be imitative, luxury, novel, perishable, durable, fashionable, consumable, etc. Similarly, a product may be reflective of status, position, and prestige. Buyers pay price not onlyfor the basic contents, but also for psychological and social implications. For example, the more perishable a product is, the less flexible its pricing because it includes the cost of perishability. Highly branded and status products will include the price of prestige in it and so on. So, what category a product belongs to will have an impact on its pricing policy.

10. Market Share

Market share is the desired proportion of sales a company wants to achieve from the total sales in an industry. Market share may be absolute or relative. Relative market share can be calculated with reference to close competitors.If company is not satisfied with the current market share, price may be reduced; discounts may be offered; or credit facility may be provided to attractmore buyers. Market leaders are often in a position to control the pricing largely prevalent in the market and often attain price leadership as they start writing the pricing trends in the market place.

External Factors

External factors are also known as environmental or uncontrollable factors. They are more powerful compared to internal factors. Pricing decisions should be taken after analysing following external factors:

1. Demand for the Product

Demand of a product is often an external and an uncontrollable factor. It is the single most important factor affecting price of product and pricing policies. Demand creation or demand management is the prime task of marketing management. So, price is set at a level at which there is the desired impact onthe product demand. Company must set price according to purchase capacity of its buyers. Here, there is reciprocal effect between demand and price, that is, price affects demand and demand affects price level. However, demand is more powerful than price. So, marketer takes decision as per demand. Price is kept high when demand is high, and price is kept low when demand of the product is low. Price is constantly adjusted to create or maintain the expected level of demand.

2. Competition

A marketer has to work in competitive situation. To face, defeat, or to prevent the entry of competitors by effective marketing strategies. This is one of the basic objectives of the organization. Therefore, pricing decision is taken accordingly. A marketer decides on pricing to respond to competitors, or to misguide competitors. When all the marketing decisions are taken with reference to competition, how can price be exception? Here it also matters is to wear a particular market stands in the entire competitive scenario. If a marketer's market leadership the pricing policies will be guided to secure that leadership. Or contrastingly, if a marketer does not hold a leadership position in the market, the pricing policy will be more guided towards following the market leader and sustaining and allowances, discount, credit facility, and other related decisions are also often imitated.

3. Price of Raw Materials and Other Inputs

The price of raw materials and other inputs affect pricing decisions. Change in price of needed inputs has direct positive effect on the price of a finished product. For example, if price of raw material increases, company has to raise its selling price to offset increased costs. In an open market scenario raw material pricing often plays a deciding role.

4. Buyers' Behaviour

It is essential to consider buyer behaviour while taking pricing decision. Marketer should analyse consumer behaviour to set effective pricing policies. Consumer behaviour includes the study of social, cultural, personal and economic factors related to consumers. The key characteristics of consumers provide a clue to set an appropriate price for the product.

5. Government Rules, and Restrictions

A company cannot set its pricing policies against rules and regulations prescribed by the government. The Government of India has formulated at least 30 Acts to protect the interest of customers. Out of them, certain Acts are directly related to pricing aspects. Marketing manager must set pricing within limit of legal framework to avoid unnecessary interference from the outside. Adequateknowledge of these legal provisions is considered to be very important for the manager. For example, Newspapers is one article that sells at a price lower than its cost of production, because the government has identified it as an essential commodity and restricts the selling price so that newspapers are affordable to the larger audience. And so most newspapers have two focus their revenues on the advertising rather than from the sales and circulation of the newspaper.

6. Ethical Considerations or Codes of Conduct

Ethics play a vital role in price determination. Ethics may be said as moral values or ethical codes that govern managerial actions. If company wants to fulfill its social obligations and when it believes to work within limits of ethics prescribed, company always charge reasonable price for its products. Moral values restrict managerial behaviour.

7. Seasonal Effect

Certain products have seasonal demand. In the peak season, demand is high; in the slack season, demand reduces considerably. To balance the demand or to minimize the seasonal-demand fluctuations, the company changes its price level and pricing policies. For example, during the peak season, price may be high and vice versa. Discount, credit sales, and price allowances are important issues related to seasonal factor. Marketers even need to factor in the low margins or losses incurred during the off-seasons.

8. Economic Condition

This is an important factor affecting pricing decisions. Inflationary or deflationary condition, depression, recovery or prosperity condition influences the demand to a great extent. The overall health of economy has tremendous effect on price level and degree of variation in price of the product. For example, price is kept high during inflationary conditions. A manager should keep in mind the macro picture of economy while setting price for the product.

5.4 METHODS OF PRICING (PRICING POLICIES AND STRATEGIES)

Pricing offers a marketer a wide variety of flexibility and choice. There are numerous methods used for setting the price of a product. Some of these methods are cost oriented, some are market or demand oriented while others are customer and situation oriented. Each of these methods have their own pros and cons and their applicability. Market is required to use an in-depth study your analysis of the market, internal and external environmental factors, customers and situations before deciding upon a suitable method of pricing. Some of the frequently used pricing methods have been discussed below:

1. **Mark-up pricing:** This is one of the simplest, most widely used and presumably one of the oldest methods of setting price. In this method, a standard mark-up or profit margin is added to the cost of a product. This method is very prominent in the construction business. A marketer first requires to properly estimate the cost factor to be able to use this method of pricing. Once a marketer has the necessary cost data, he can add a percentage of profit to ascertain the price. A company may prefer a fixed percentage of cost or fixed percentage of selling price.

2. **Perceived value pricing**: This is a method where the marketer relies on the perception of the consumer. Here the marketer by his experience or by some method of market research tries to ascertain the consumers' perception about a particular product. And relying on his judgment regarding the perception of the consumer tries to fix the price. The customers perception can be influenced by several factors, such as advertising, sales techniques, effective sales force or even after sales service and staff. What is crucial to perceived value pricing is to accurately measure the market (customer) perception about the offer (product) or the value of the product. If the seller over estimates the consumer's opinion hewill end up overpricing his product and if he underestimates the market perception, he will under-price his product.

3. **Breakeven analysis method:** Some marketers set pricing for the product by Break-Even Analysis (BEP method). It is a managerial tool that establishes relationship among costs, volume of sales, and price. It is also known as cost- volume-profit analysis. Under this method attempts are made to find out the volume of sales at which the total costs are equal to the sales revenue. This is such a level of sales at which there is no profit, no loss. The firm just covers its total cost. When the sales volume exceeds the total costs, the result is profit. The marketer here must very meticulously calculate the cost factor and the expected volume of sales. Thus, BEP is the position of sales at which sales revenue is just equal to the total cost.
4. **Skimmed pricing:** The words skim comes from the milk processing industry the process of removing cream from the milk is known as skimming. When a marketer is the intent of any caching high profits from the market and adopts a high price approach, such a method of pricing is called skimmed pricing. Skim the pricing is demand driven, and it can vary from industry to industry and product to product. Say for example for technology products the skimming normally happens when the product is launched due to the novelty of the product, very soon the competitors will replicate the technology and the novelty factor would be diffused and hence the company would help to bring down the prices. Technology companies usually use in skimmed pricing to recover the costs incurred by them on research and development of the new technology and the intention is to recover the cost and make a little profit before the remaining players in the market replicate the technology.

5. **Penetration pricing:** As the world itself says it is a strategy of pricing used to penetrate the market. Usually, it is low pricing so as to make the product affordable to a very large section of the market. A lot of companies also tend to offer products free of cost (also called freemium pricing) for some time so as to make the customers known to and used to the product and then start charging a price for example, the 6 months free services offered by Reliance Jio when it firstlaunched its products in the 4G telecom market. The purpose of penetration pricing is to attain a certain target market share. Once it's desired level of market share is attained the company changes its pricing policy to make it more profitable. It is usually a short-lived strategy and usually associates with the company's promotion strategy.

6. **Target Return Pricing:** This is the cost-oriented method of setting price for a product. Here the firm determines the level of price which can yield a targeted return on investment. Investment here is taken as the base of price determination and the attempt is to recover the cost of investment. Government companies, public utilities cooperative societies and similar organisations fix pricing for their products on this basis to ensure maximum return on investment. The target return price can be calculated by the following formula: Target return price = Total costs + (Desired % ROI investment)/ Total sales in units For instance, if the total investment is Rs. 10,000, the desired ROI is 20 per cent,the total cost is Rs.5000, and total sales expected are 1,000 units, then thetarget return price will be Rs. 7

per unit as shown below:

5000 + (20% X 10,000)/ 1000

Target return price = 7

7. **Psychological pricing:** A pricing policy designed to have a positive impact on the psychology of the consumer. Marketers use psychological pricing to encourage consumers to buy products based on emotions rather than on common sense logic. The best example is when a company price is its products at Rs. 999 instead of Rs. 1000. Even though the difference is very small the consumer perceives it as being substantially cheaper this is also known as the "left digit effect". Many companies and particularly retail stores successfully use this method of pricing.

8. **Going rate pricing method:** This is a competition based and competitive parity method of pricing. Marketers even call it a competition-oriented pricing approach.In this method a company normally gives less attention to its own costs, objectives or demand, but the pricing decision is largely based on competitors' prices. This method is normally followed by small firms most of whom go about'a follower strategy' of marketing. Also known as follow the leader strategy. The focus here is on the competitors pricing or on the leaders pricing and little attention is given to a company's own objectives quality of the product and services. It is typically a competition-oriented pricing method.

9. **Sealed Bid Pricing:** As the name suggests it is a bid as it is in an auction where you have a number of buyers who are bidding prices for a particular article that is being auctioned. The only difference is, in an auction the bidding is openly done while in this method the bidding is sealed in an envelope. It is also called a **tender pricing**. This pricing method is popularly followed in construction companies and in major construction and infrastructure contracts given by the government. The government or the organisation which wants a project to be carried out, invites proposals through advertisements in newspapers or websites or other means, which is actually a legal offer. The offer or proposal for work contains type of work, or job, time to complete the work, quality of work, and other similar conditions. In response to the proposal of jobs or works, interested parties have to fill the tender (send quotation or estimated costs) stating price and conditions of work and send in form of sealed-bids. The bid is an offer of price for particular work or product. Generally, sealed-bids (sealed envelopes containing bids) are invited for competitive work. Offers or proposals come from companies, organizations or government. On a due date, either publicly or otherwise, sealed-bids (quotations) are opened, or the bid with lower price and more favourable conditions is selected. Rate of selected bid is the price for the work or job.

10. **Economy Pricing:** This is a no-frills low price. The company incurs minimum expenditure on marketing and promoting of their products. These companies usually operate in localised or small pockets of the market. In a country like Indiawhere affordability is a challenge to a larger section of the society; affordable products will always make their way into the market.

Any good market is always characterised by the kind of branded products that are available in it, but in developing countries like India there will always run a parallel affordable marketin every industry, be it cosmetics or food or electronics or even airlines that will be appealing to a large audience that is looking for bargains and economy products.

11. **Discrimination pricing:** Discrimination pricing is the practice of setting different prices for the same product. The same product may be sold at a different price to either different customers or at different places or at different times. This method improves the consumer base of a company and at times also helps in channelizing production and storage surpluses. When a company uses discriminatory pricing between two regions say for example the rural and urban it is known as **Geographic discrimination pricing**. When a company uses discriminatory pricing between two time periods it is known as **Time discrimination pricing**, this is usually done by companies that sell seasonal products and follow a different pricing policy for peak season and offseason. When a company uses discriminatory pricing between two different types of customers which is known as **customer discrimination pricing**, this is usually observed among companies that sell such products which are applicable to retail and industrial markets; the company would offer different one price to a retail buyer who purchases in smaller quantities and at different price to an industrial buyer who buys in bulk.

12. **Premium pricing:** When a firm charges a little higher price for its products as they have some additional features compared to other major competitors in the market. This form of pricing is known as premium pricing. It is also known as **luxury pricing** or **prestige pricing strategy**. The strategy relies a lot on the consumers' perception and the image they carry about a product. Products that tend to carry a prestigious image usually use premium pricing method. Premium pricing is usually the result of a strong branding process. Products that follow premium pricing are perceived to deliver status value to its customers. The fashion industry often uses this pricing strategy to market its products as luxurious, exclusive and rare; and thereby delivering a status value. Premium pricing is usually supported by powerful branding to make the price more pleasing to the consumer.

13. **Bundle pricing:** bundle pricing is when a marketer bundles up two or more products or services together and sells them at a single price. The products may or may not be complementary to each other. The customer often considers it to be a good purchasing bargain and is a marketer as it pushes more merchandise in a single sale. It is a regular practice among a lot of supermarkets to bundle of various FMCG products together and sell at a single price. Many companies often tie up with other complementing product companies and sell combined or bundled products. For example, Hewlett-Packard (HP) ties up with Microsoft and sells its laptops with a licensed version of Microsoft Windows inbuilt. Or your Samsung phones come with an inbuilt Android operating system (where Samsung is a hardware manufacturing company and Android is a softwarecompany), also

an example of a bundled product.

14. **Discount pricing:** A pricing policy that is characterised by discounts on its usual selling price is known as discount pricing. Discounts, clearance sections and year-end sales are examples of this method of pricing. This is the method commonly used by firms who sell seasonal or constantly changing items such as clothing, decor and furniture, cosmetics etc. The system is also popular because consumers enjoy going through the shopping process when goods sell on discounts, as it's a pleasing experience. Most supermarkets with a large merchandise variety and inventory follow the system of pricing to get inventory turnovers. They usually follow the low profit high turnover philosophy.

5.5 PRICING STRATEGY MATRIX

Below is the price strategy matrix, it has only been included for your reference. What we have seen in the previous topic are all the different methods of pricing. All the four pricing methods mentioned in the matrix have been discussed above and are some of the most widely implemented and practised methods of pricing The matrix below only helps a practitioner to decide which method out of these four to use, keeping in mind the price quality seesaw.

QUALITY

PRICE	Low	High
Low	**Economy (Affordable)Pricing**	**PenetrationPricing**
High	**SkimmingPricing**	**PremiumPricing**

❖ CHECK YOUR PROGRESS

- **DESCRIPTIVE QUESTIONS**

1. Define pricing and the various characteristics of pricing.
2. What is pricing? Explain in detail the various pricing objectives.
3. Defining detail the various factors affecting pricing.
4. Discussing detail the different methods of pricing.

- **SHORT QUESTIONS**

1. Defining profit-based pricing objectives.
2. Define sales-based pricing objectives.
3. Define competition driven pricing objectives.

4. Define customer-oriented pricing objectives.
5. Explain the internal factors affecting pricing.
6. How do elements of the marketing mix affect pricing? Discuss.
7. Discuss the various external factors affecting pricing.
8. Compare ‘target return pricing method’ and ‘breakeven pricing method’.
9. Differentiate between premium pricing method and discount pricing method.
10. What are the different ways in which price discrimination can be done?

- **MULTIPLE-CHOICE QUESTIONS (MCQS)**

1. Which among the marketing mix elements (4Ps) generates revenues?

a. Product mix
b. Price mix
c. Place mix
d. Promotion mix

2. The following is a profit related objective of pricing.

a. Target market share
b. To achieve quality leadership
c. Maximizing profit
d. To satisfy customers

3. What pricing objective would accompany the following if its focus is oneliminating seasonal and cyclical fluctuations of price?

a. Price stability
b. Survival and growth
c. Skimming
d. Penetration

4. Which of the following is not an internal factor affecting pricing?

a. Top-level management philosophy
b. Elements of the marketing mix
c. Cost of production
d. Demand for the product

5. Which of the following is not an external factor affecting pricing?

a. Government rules and regulations
b. Buyers' behavior
c. Price of raw materials and other inputs
d. Quality of the product.

6. **Economic conditions like inflation, deflation, depression etc. affecting pricingdecisions are:**

   a. Internal factors affecting pricing
   b. External factors affecting pricing
   c. Both internal and external factors affecting pricing
   d. None of the above.

7. **What pricing method is it in which the market adds a specific profit margin to the cost of a product?**

   a. Perceived value pricing
   b. Penetration pricing
   c. Mark-up pricing
   d. Going rate pricing

8. **This is a competition based and competitive parity method of pricing.**
   a. Going rate pricing method
   b. Sealed bid pricing
   c. Discrimination pricing
   d. None of the above

9. **What form of pricing would you call it when a company decides to sell its products at different prices in differentstates of the country??**

a. Time discrimination pricing
b. Customer discrimination pricing
c. Geographic discrimination pricing
d. None of the above

10. **Which of the following pricing methods— alsoknown as tender pricing—are similar to an auction?**

a. Sealed bid pricing
b. Target return pricing
c. Economy pricing
d. Bundle pricing

- **Answer key to MCQs**

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
b	c	a	d	d	b	c	a	c	a

MBA

SEMESTER-2

MARKETING MANAGEMENT

BLOCK: 2

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UNIT-6 DISTRIBUTION STRATEGY

6.1 INTRODUCTION

Today's marketer follows a highly consumer-oriented marketing philosophy. In older times, businessmen usually faced challenges concerning production but today the greater challenge is its distribution. The increased competition, widely scattered markets, fast life, etc. are some of the reasons why a good distribution system is necessary. With the increased level of competition today, a consumer sits on a wide choice of products available to him from local as well as multinational marketers. It means a consumer need not take pains to reach the product, rather products or the marketer will reach out to the consumers. Any product which is beyond a consumer’s reach may remain unsold. A marketer, therefore, requires a good distribution system to support a good product. Particularly when we talk about products like Fast Moving Consumer Goods (FMCG), which require to be available to the consumer as and where he needs. Suppose a biscuit company comes up with a very attractive and influencing advertising campaign that motivates a consumer to purchase that brand of biscuit, but when he approaches most of the stores within his vicinity and the biscuits are not available. So, in spite of a good advertising campaign the product still fails to convert it to sales because of poor distribution. Today, we live in a world flooded with e-commerce companies, who sell and buy millions of products online through websites and mobile applications, butthis whole system of online selling would not succeed if it was not supported by a strong distribution and logistics system. In the heart of any of these e-commerce company like Amazon, Flip Kart, Snap Deal, etc. stands a very strong distribution network.

❖ DEFINITIONS

Philip Kotler: *"Physical distribution involves planning, implementing, and controlling the physical flows of materials and final goods from points of origin to points of use tomeet customer needs at a profit:"*

William Stanton: *"Physical distribution consists of all the activities concerned with moving the right amount of the right products to the right place at the right time:"*

In simple words, physical distribution can be defined as *all those activities involved in making product available at the right place, at the right time, for the right people (market), and in the right form or manner to achieve marketing goals.*

More clearly, we can say: *Physical distribution includes all those activities and services engaged to make products available from the primary producers to the end users. These activities comprise of physical transfer/movement of products plus other additional services such as warehousing, transportation, communication, insurance, banking, and middlemen.*

The Distribution Channel: A channel specifically means a connecting link or a path or route. When such a channel is created by a company or a marketer to reach its products to its end users it is known as a **distribution channel** (also called marketing channel). This route or channel can be short or long, direct or indirect and can also include a number of other members or participants who become part of channel to carry out the purpose. Hence, a distribution channel can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer. A producer who sells his product directly to the final user can becalled a direct channel but, most of the producers do not sell their products directly and include a host of intermediaries to perform a variety of functions between the primary producer and the ultimate customer. Such a chain of intermediaries who form a bridge between the producer and the customer is called a distribution channel.

6.2 NATURE AND CHARACTERISTICS OF DISTRIBUTION CHANNEL

1. **Route or path:** A channel of distribution is the route or a pathway through which goods and services flow from the producer to the customer. As described above it creates a bridge over the gap between the producer and the customer.

2. **Flow:** Channel makes sure that the smooth flow of goods or services continues towards the customer in an orderly manner.

3. **Composition:** It composes of various members or intermediaries such as wholesalers, retailers, distributors, agents etc. These are middlemen who participate in the process of channelizing goods and services towards the customer and ensure its smooth flow.

4. **Ancillary services:** Ancillary Services are supportive services provided by various organisations such as shipping companies, railways, transporters, banking and insurance companies etc. These only act as facilitators and usually do not become part of the channel.

5. **Functions:** Channel members perform various functions such as storage, logistics, financing, sorting, grading, promotions and branding etc. To carry out the smooth flow of goods and services.

6. **Remuneration:** The intermediaries who play a part in the process of channelizing goods and services normally receive their remuneration in the form of commissions for the services rendered by them. Usually, this commission is included in the price fixed by the manufacturer.

7. **Element of marketing mix:** The distribution channels or the place mix is an important element in the entire marketing mix (4Ps). As all the elements of the marketing mix are interrelated the distribution channel is required to play its part well for the other elements to be effective.

8. **Customer oriented:** The ultimate destination of any distribution channel is the target market for the end users and irrespective of its length and type (direct or indirect) a channel is supposed to link the customer.

9. **Direct channel:** A channel can also be a direct channel which does not include any intermediaries, which means the manufacturer directly sells tothe customer with no middlemen in between. Though no middleman inbetween it still remains a channel and better known as zero level or direct channel.

10. **Cost element:** A marketing channel usually involves costs. These may be in the form of commissions given to intermediaries or payments made for the ancillary services provided by the intermediaries or in some cases the manufacturer himself. These add fundamental cost to the product's price, which can have a critical impact on the marketability and the competitiveness of the product. Hence every marketer keeps a close watch on the distribution costs. It requires to be a very balanced process, as onone hand unplanned deductions in the distribution cost can impact the availability of the product and the competitiveness of the company in the market, while on the other hand; unnecessary increase in the distribution costs can impact price and the competitiveness of the product in the market.

6.3 FUNCTIONS OF DISTRIBUTION CHANNEL

The primary purpose of any channel of distribution is to bridge the gap between the producer of a product and its user, whether the parties are located in the same geographical locality or in different countries thousands of miles apart. The channel is composed of different institutions that facilitate the transaction and the physical exchange. There are different institutions involved in carrying out Transactional, Logistical and Facilitating functions. For the effective flow of goods and transaction, these are necessary functions of distribution. Some of these functions are summarised below:

1. **Movement of goods or logistics:** Logistics is the physical movement of goods from one place to another also known as **place transformation** most of the times the intermediaries manage the logistics of the goods from one place to another. Particularly when it comes to FMCG products which requirea large distribution network and most of the time with numerous levels. A lot of products have scattered markets were also logistics is very important to the distribution process. In markets which are highly competitive availabilityof products is an important marketing aspect and a good logistics system makes goods available on demand.

2. **Storage:** The second important function of an intermediary is the storage function also known as **Time transformation**. A lot of goods need to be made available at different times, as and when the consumer demands. Most intermediaries prefer to store goods in small or large quantities so that they can be made available to the customers when demanded. Like logistics,storage is an as important function of a distribution channel. In markets which are highly competitive availability of products is an important marketing aspect and a good storage system makes goods available on demand.

3. **Information provider:** Marketing is a continuously evolving system and relies heavily on market information and research to improvise upon distribution and other marketing practices. Intermediaries are important information providers about the market trends and their changes, consumer preferences, new products, competition etc. Since intermediaries are continuously servicing the market, they are in a good position to provide real-time information about the markets. This information can prove vital in formulating marketing strategies.

4. **Negotiation:** Everything that the marketer sells may not exactly match the wants and demands of the consumer in terms of quality, price, and quantity. Since companies do not interact directly with the customers, it is the intermediaries involved in the distribution network who reach out to the customers and give all details about quality, price and various other terms and conditions to customers. Customers interact with these intermediariesand negotiate for a fair deal, and as a result it improves the customers' loyalty towards the business.

5. **Sorting:** Sorting is the process of segregation. Usually, this segregation is in terms of quantity as demanded by customers. Middlemen often receive products in bulk, packed in cartons, gunny bags or containers. Products are usually sold in large quantities to middlemen by their producers. The products so obtained in bulk are broken down into smaller quantities as it moves down the channel of distribution. For example, dry fruits are sold in big gunny bags to middlemen by the producers or other intermediaries,which are then broken down into smaller quantities or packets to suit the needs of the customers. Sorting is often done on the basis of quality as well and large quantities of product are broken into smaller quantities based on their quality and then sold to the customers.

6. **Assorting and matching:** Assortment is also a process similar to sorting with

products are segregated and matched to the customers' needs. Products such as fruits and vegetables, dried fruits, cosmetics, toiletries etc. often sell in combination of each other. Intermediaries often make such combinations of different goods to suit the requirements of the customer. For example, dry fruits like almonds and cashew, both grow in different terrains and different parts of India but are usually purchased together by customers, particularly during the festive season. The intermediaries usually purchase large quantities of these different products and combine them into smaller packing to suit the customers' needs and give them a good deal.

7. **Financing:** The financing function of the intermediaries is often both ways that is to the manufacturer as well as the customer. The whole process is usually based on the credit system. They often buy in cash and sell on credit to the customers, thereby investing their own capital in the process. Intermediaries are often known for buying on advance payments as well from the manufacturers, especially among goods which are either rare or in short supply and thereby financing the working capital of the manufacturer.

8. **Risk-taking:** Intermediaries often take various types of risks in the process of distribution, like the risk of damage or spoilage of goods in transit and in storage. Apart from a few types of intermediaries like agents and brokers who only facilitate the buying process the rest of them usually assume the title of the goods, and owning the goods is a risky job as the intermediaries would then have to bear the losses due to damage or spoilage. Even when goods are sold on credit by the middlemen the risk of non-recovery or bad debt is also inherent.

9. **Pricing:** We live in a market scenario which is consumer driven. Pricing being an important aspect of a marketing strategy is often consumer driven. The middlemen are usually the people who are in direct touch with the market or consumers and are often in a position to know the perception of consumers. Middlemen often provide vital inputs in determining the price of a product. Large retailers such as supermarkets and large discount stores (like Big-Bazaar, Reliance Market, D–Mart) often follow their own pricing system as against those set by the producers. They usually buy large unsorted quantities from producers and follow their own system of packing and pricing to suit the customers.

10. **Communication and promotions:** Promotions is a very important function of the marketing process and middlemen play a vital role in carrying out these promotions and other product related communication to the consumer. Distributors and wholesalers often have sizeable promotion budgets for promotions at city and state levels. They often provide for point of purchase publicity to the retailers as well. Of course, a larger part of the promotion is decided and done by the companies or the manufacturers but intermediaries often play their part in the entire process. Middlemen are highly instrumental in promoting demand and sales at local levels.

11. **Selling:** Important products, especially high-priced products such as automobiles, insurance, expensive alliances etc. require a strong selling effort for them to be sold. Most of these markets are highly competitive and the consumer's involvement in the buying process is also high as a result, products

often require a strong representation for it to be sold. Middlemen particularly retailers are usually known to carry out the selling effort and convincing the consumer to buy the product at ground level. Companies promote products through strong advertising and promotion efforts but the selling effort is usually at the ground level and carried out by the retailers or other middlemen. They play a very vital selling role when a company launches new products in the market.

12. **Standardising and grading:** As discussed above middlemen are often known for buying products in bulk or large quantities. Most of the times these quantities are mixed and unsorted. Farm products (such as grains, pulses, fruits and vegetables etc.) are quite unsorted. The produce is usually purchased by middlemen in marketing yards. These dealers then sort and grade the produce into various categories which may then be sold at different prices.

13. **After sales service:** Most of the times it is the companies or manufacturers who provide for after sale service such as repairs and maintenance, servicing and replacements, particularly when it comes to branded products. But when we talk about unbranded and ungraded products (which are a verylarge market in India) it is usually the middlemen either the distributors or the retailers who take up the responsibility of the after sales service, because itis ultimately them who face the customers and do not want to lose them.

6.4 TYPES OF DISTRIBUTION CHANNELS

One of the important decisions that a marketer needs to take about distribution is selecting the right type of distribution channel. Various factors (like market scatter, nature of the product, the branding policy of the company etc.) would be considered by a marketer before he decides on the distribution network. Distribution decision can be very sensitive for a marketer as he has to maintain a delicate balance between the availability of the product and the cost he incurs to distribute it. Say, for example, most FMCG products require extensive distribution because these products need to be available, for them to be sold. But having an elaborate distribution network will require more members in the distribution channel which entails more costs; this can reduce the competitiveness of the product. Hence, it's a very delicate balance between the availability of the product and its cost of distribution.

Distribution channels can be of various types but broadly they can be divided into two broad categories **direct channel** (zero level channel) and **indirect channels**.

Direct channels are so-called because there are no members involved in between the manufacturer and the consumer and the product reaches straight from the manufacturer to the consumer. While, indirect channels are such channels where there are other members involved in the process of distributing the product and reaching it to the consumer. Types of distribution can be defined in terms of different levels of distribution as explained below:

1. Direct Channel or Zero Level Channel: When the producer directly sells the goods to the consumer without involving any intermediary, it is known as a **direct channel or zero level channel**. It is also one of the oldest forms of selling products. Traditionally when markets were not so elaborate and manufacturers sold their products within a limited geographical area they usually sold directly to the consumer. A good example of a zero-level channel is a factory gate outlet. Many service providers like holiday companies, hotels, resorts, entertainment parks etc., also market direct to consumers bypassing the traditional retail intermediaries like the travel agents. Direct channels are also preferred by manufacturers selling perishable goods (for example, milk dairies and bakeries) or expensive goods (for example, jewellers) or manufacturers whose target audience is geographically concentrated. Some of the popularly prevalent direct marketing channels have been discussed below:

a. **Door to Door Selling**: This method is often used by people operating in local markets like potters and hawkers selling daily use products. Certain locally operating companies also prefer to sell their products door to door through their own appointed salespeople.

b. **Internet selling**: Most companies today have their own websites and prefer selling products to consumers directly through their own Internet interface. A lot of industrial products sell in this manner.

c. **Company-owned retail outlets (or factory outlets)**: Many companies prefer to have their own factory gate outlet and sell products directly to consumers and give a little price advantage to those customers who come tothe factory location and purchase. It is also to give advantage to the local people where the factory is located. Textile companies, furniture companies, confectioneries, ice cream and packed food companies etc. generally preferred to put up factory gate outlets.

d. **Telemarketing**: Telemarketing usually happens through the telephone or sometimes even televisions. It is a process of using the telephone to generate leads, make sales or gather marketing information. Telemarketing can be a useful method for small businesses as it saves time and money as compared to personal selling (according to some experts, telemarketing costs 1/5 as compared to personal selling). Another way of telemarketing is also through televisions where a marketer or manufacturer selects a non- popular timeslot (like late-night) to demonstrate their products on the television and generate leads from the viewers. There are now even some television channels completely dedicated to telemarketing for example, Naaptol.

2. **One Level Channel**: One level channel involves one middlemen in between the manufacturer and the consumer. This type of channel contains one intermediary usually a retailer. Where the manufacturer supplies or sells the goods to a retailer and the retailer further sells it to the consumer. Most car companies in India follow this system of distribution in which they supply the vehicles to their dealers in different cities and these dealers sell the cars to the end user.

Most of the large discount stores like Big Bazaar, D- Mart, Reliance, etc. source a bulk of their stocks directly from the manufacturers and display them in their stores for the end users. A lot of online retail websites like Amazon, Flip Cart, Snap Deal, etc. source a bulk of their products directly from the manufacturers and display on their websites for sale. Most times, these online websites do not take up the ownership of the goods but arerather only order takers.

MANUFACTURE → RETAILER → CONSUMERR

3. **Two-Level Channel**: A two-level channel encompasses two intermediaries usually a wholesaler or a distributor and retailer in between the manufacturer and the consumer. Products that require a little elaborate distribution network usually follow the system of distribution. For example, a company that distributes its products in one of the states of India will first distribute the product to their wholesalers in different cities of the state and the wholesalers will further distribute it to retailers located in different parts of the city and the retailers will sell it to the consumers. This system is most commonly used channel for distributing goods like soap, rice, wheat, clothes etc.

MANUFACTURER → WHOLESALER → RETAILER → CONSUMER

4. **Three Level Channel**: As the name suggests there are three intermediariesin between the manufacturer and the consumer. The manufacturer sells to a stockist or an agent, who sells to a wholesaler, who sells to a retailer and the retailer sells it to the consumer. The system of distribution is usually adopted by companies who market their products across an entire country. For Example, a manufacturer wants to distribute his products in an entire country like India, he appoints an agent or a stockist at state level, who further distributes the products to wholesalers appointed at city levels in different states, who will further distribute the product to retailers scattered over a city and the retailers will sell the products to the consumer. This is a popular method of distribution among national level FMCG companies inIndia.

MANUFACTURER → AGENT → WHOLESALER → RETAILER → CONSUMER

6.5 CHANNEL MANAGEMENT DECISIONS

1. INTENSITY OF DISTRIBUTION:

Once the structure of the distribution channel has been determined, the manufacturer has to decide on the intensity of the distribution at each level within the channel. Depending on the nature of the market and customers, the numbers ofretail outlets have to be determined. If the availability of the product needs to be high the intensity of the distribution will also have to be high. This is a strategic decision that the manufacturer will have to take and the strategic alternatives are usually exclusive distribution, selective distribution and intensive distribution.

a. **Exclusive Distribution**: Exclusive distribution means that one particular retailer serving a given area is granted sole rights to carry the product. There are several advantages to be gained by the use of exclusive distribution. It brings tremendous dealer loyalty, greater sales support, a higher degree of control over the retail market, better forecasting and better inventory and merchandising control. The impact of dealer loyalty can be helpful when the manufacturer has seasonal or other kinds of fluctuating sales. An exclusive dealership is more willing to finance inventories and thus, bear a higher degree of risk than a more extensive dealership. Having a smaller number of dealers, gives the manufacturer or wholesaler greater opportunity to provide each dealer with promotional support. And, with fewer outlets it is easier to control such aspects as margin, price and inventory; Dealers are also more willing to provide data which may be used for marketing research and forecasts. Exclusive distribution is especially relevant for products that customers seek out. Examples of such products may include certain brands of clothing (such as Raymond) watches (such as Omega); music systems (such as Nakamichi, Bose speakers); and jewelry (such as Tanishq, Nakshatra diamonds).

On the other hand, there are several obvious disadvantages to exclusive distribution. First, sales volume may be lost. Second, the manufacturer places all its fortunes in a geographic area in the hands of one dealer. Exclusive distribution brings with it, the characteristics of high price, high margin and low volume. If the product is highly price-elastic in nature, this combination of characteristics can mean significantly less than optimal performance. Having onesole retailer can mean that if sales are depressed for any reason, the retailer is then likely to be in a position to dictate terms to other channel members.

b. **Intensive Distribution**: The contrary of exclusive distribution is intensive distribution. An intensive-distribution strategy makes a product available at all possible retail outlets. This may mean that the product is carried at a wide varietyof different and also competing, retail institutions in a given area. The distributionof convenience goods is most consistent with this strategy. If the nature of the product is such that a consumer will generally not bother to seek out the product, but will buy it on sight, if available, then it is to the seller's advantage to have the product visible as much as possible. The advantages to be gained by thisstrategy are increased sales, wider customer recognition and impulse buying. All of these qualities are desirable for convenience goods.

There are two main disadvantages associated with intensive distribution. First, the items are characteristically low-priced and low-margin products which requirea fast turnover. Second, it is difficult to provide any degree of control over a largenumber of retailers. The uncontrolled distribution may not become a problem, if the intensive distribution leads to increased sales.

c. **Selective Distribution**: Between exclusive and intensive distribution, there is selective distribution. Selective distribution is the strategy in which several, but not all, retail outlets in a given area distribute the product. Shopping goods are frequently distributed through a selective-distribution strategy; these are goods which consumers seek on the basis of the most attractive price or quality characteristics. Because of this, competition among retailers is far greater for shopping goods than for convenience goods. Naturally, they wish to reduce the competition as much as possible. This causes them to pressure the manufacturer to reduce the number of retail outlets in their area, in order to reduce the competition.

Selective distribution is best applied under circumstances in which high sales volume can be generated by a relatively small number of retailers or in other words, in which the manufacturer would not appreciably increase its coverage byadding additional dealers.

Selective distribution can also be used effectively in situations where a manufacturer requires a high-calibre firm to carry a full product line and provide necessary services. A dealer in this position is likely to require promotional and technical assistance. The technical assistance will be needed not only in support with the sale, but also after the sale in support with repair and maintenance service. Again, by limiting the number of retail outlets to a selected few, which are capable of covering the market, the manufacturer can avoid unnecessary costs that may be linked with adding on more dealers.

Obviously, the greatest danger associated with a strategy of selective distributionis the risk of not adequately covering the market for the product.

2. SELECTING CHANNEL MEMBERS:

Once the company has decided on what type of distribution strategy, the next step would be to select the channel members to suit their distribution strategy. As distribution is an important function of the entire marketing strategy, it is crucial to select the best channel partners. As distribution happens at the ground level, various factors such as location, demography, concentration of the population, etc. would play a vital role in selecting the channel members. The experience level ofchannel partners will also matter in the selection process.

3. Training Channel Members:

Once the channel partner is selected, they need to be trained by the company as they will be the ones representing the company in the market. Companies often follow intensive training programs for their dealers or channel partners and try to improvise on their capabilities, product knowledge and other operational procedures. Companies are also known for training the sales staff of their channel partners and updating them in functional, technical and behavioural aspects, as the salespeople would be facing the customers or further channel partners.

4. Motivating channel members:

It is important that the channel members remain happy with the kind of business and activities they are doing. And as it is the responsibility of the company to maintain themotivation level of their Channel partners. These motivations could be monetary and non-monetary both. Companies provide motivation to the channel members through incentives, higher margins, premiums, display allowances, advertising allowances, special deals, etc.

5. Evaluating Channel Members:

Companies regularly evaluate their channel partners to maintain an efficient distribution network. They are often evaluated on basis of their sales, inventory levels, service support, delivery time performance, complaint handling, product promotions etc. Well performing channel members are usually rewarded and poor performing channel members are warned. Channel members who are consistently poor performers are often replaced.

6. Modifying Channel Arrangements:

With changing times, a company needs to modify its Channel arrangements. As business and organisations progress, newer products get added to the product line, products extend their life cycle, new product lines start, organisations diversify into other businesses and so on and so forth. Such changes over time require a marketer to review its general arrangement from time and again and modify if needed. With the advent of the Internet and its increasing use among customers, the marketer is compelled to make modifications to their distribution networks. In the process, companies often prefer to use **Multichannel Marketing** so as to reach out to a wider segment of customers. This not only adds to larger market coverage but also adds flexibility tothe selling process.

6.6 FACTORS AFFECTING CHANNEL SELECTION/DECISION

Decision on channel of distribution is treated as a strategic one, as it plays significant role to satisfy consumers and to improve competitive strength. Choice of marketing channel being very critical, it must be made carefully. Marketing manager must take into account all the relevant factors to choose the best fit channel of distribution for the products. Dominant factors affecting channel selection are discussed below:

1. Factors Related to Products

Product is a prime factor in channel selection. Product related factors are among most relevant and powerful factors affecting channel decision. Channel must be fit with type and nature of company's products. Such factors include:

a) Perishability of Product: Perishable products must be sold and consumed immediately after production. So, for perishable products, normally, direct or short channel is advisable.

b) Technical Aspects: Technical products cannot be used without sufficient information and direct supervision. It is advisable to adopt indirect and multilevel channels to assist consumers.

c) New v/s Existing Product: Consumers need more information and attention for new products. As result company may opt for indirect channel to take help of middlemen in this task. For existing products, the company can use direct and/or indirect channels.

d) Complexity and Risk Related to Use of Product: Complex and risky products are sold via middlemen as consumers expect more direct supervision and assistance.

e) Size of Product: In case of heavy and bulky products, direct or short channel is more suitable due to difficulties related to physical movement of the product.

f) Divisibility of Product: Mostly, indivisible products are distributed directly to customers. Divisible products can be conveniently distributed by middlemen.

g) Unit Price of Product: Precious products like gold, jewellery, certain chemicals, software, etc. are distributed using direct or short channels of distribution. Use of direct and short channel can minimize risk of theft or robbery.

h) Legal Aspect: Quite obviously, permitted (legal) products can be distributed by any convenient channel of distribution. But illegal products are distributed by direct channels for secrecy purpose.

2. Factors Related to Company

Company's internal situations have direct impact on choice of marketing channel. Manager has to analyse company-related factors to decide the best fit channel(s). Company related factors include:

a) Company's Financial Position: Financially sound companies can maintain separate and well-equipped department for distribution of products. Such companies can open and manage own retail outlets and can hire salesmen to manage distribution effectively. But financially weak companies opt for indirect channels to share resources and expertise of channel members.

b) Product Mix of Company: If Product mix of company consists of product lines and product items in each product line. In such case, direct channels are more advisable. Small companies with limited product lines and/or product items should distribute products via wholesalers and retailers who sell products of many companies.

c) Desire for Control: If a company desires to have direct and close control over production and selling activities, direct channels are preferred and vice-versa.

d) Experience and Expertise: Successful distribution needs considerable experience and expertise. If a company possesses necessary experience, expertise, and staff, it can manage selling activities by its own. When company lacks such experience and skills, it has to involve middlemen and prefers indirect channels.

e) Facilities and Staff: Sufficient facilities and capable staff are essential for effective distribution of products. If company manages for needed facilities and staff, direct channels are used, otherwise indirect channels are used.

3. Factors Related to Middlemen

Companies consider several middlemen related factors while deciding on channels. Most common factors include:

a) Creditworthiness of Middlemen: Middlemen's credibility is an important criterion to decide on the channel.

b) Attitudes of Middlemen: Positive attitudes of middlemen make companies involve them in distribution activities.

c) Services Rendered by Middlemen: Channel decisions depend on number and quality of services offered by middlemen to customers. In case channel members are ready to provide several services to customers such as home delivery, free repairing, credit facility, instalment payment schemes, and other post-sales services, manufactures like to involve them in distribution to avail such services to their customers. When middlemen do not provide useful services to customers, companies prefer direct channels.

d) Financial Capacity of Middlemen: Strong financial capacity of middlemen attracts manufactures. It results in speedy recovery of bills receivable, less chances of bad debts, immediate payment, credit facility to customers, and also advanced payment.

e) Terms and Conditions: When terms and conditions laid down by middlemen are not favourable, manufactures don't like to involve them in distribution activities. They prefer direct distribution channels.

4. Factors Related to Market

Market (consumer behaviour) is a crucial factor in channel selection. Main factors related to market include:

a) Size of Market: In case of large and concentrated market, it is economically affordable for a company to manage its own distribution setup.

b) Geographical Concentration: When firm's customers are highly concentrated (living in nearby area) in particular region, it can directly deal with customers by using any of the direct channels.

c) Services Expected by Market: Number and types of services expected by the target market, and company's capacity and readiness to meet them are important issues to be considered in this connection.

d) Current Market Trend: Firm's distribution system must be compatible with recent market trend. Trend includes a number of variables like policies and practices of giant national and multinational companies, functioning of departmental stores and corporate retailers, cyber marketing and network marketing, etc.

5. Factors Related to Competition

Current and anticipated competition affects company's decision on marketing channel. Relevant competition related aspects must be analysed while selecting the channel. Competition related factors include:

a) Intensity of Competition: When there is severe competition in the market, company must consider competitors' distribution strategies and practices while selecting marketing channels. In case of less competition, company choice will be independent of competition.

b) Response and Reactions of Competitors: Reactions and response of the close competitors must be taken into account while deciding on distribution channel. Company must select such channels that can help availing competitive advantages.

c) Company's Competitive Position in Market: A leader company can design its own distribution network. It can select specific channel of distribution as per its requirements. But follower companies have to follow market leader. Its choicedepends on leader's practice.

6. Factors Related to Environment

Marketer has to consider overall business environment while deciding on marketing channel and operations. Main environmental forces that affect channel decision include domestic and global environment forces which have direct or indirect impact on company's activities:

a) Economic Condition of Country: Country's economic condition affects firm's operations.

b) Phases of Trade Cycle: Phases of trade cycle like recession, recovery, prosperity, etc. indicate country's economic condition. Normally, in prosperity stage, long and indirect channels are used due to need for mass distribution and willingness of people to pay high price for the product. Direct and short channels are more suitable when the economy is passing through recession phase as direct and short channels keep selling price low.

c) Legal Provision: Government policies and legal provisions have direct or indirect implication on firm's distribution activities. Taxes, charges, administrative procedures, restrictions, and other issues are worth noted in this regard.

d) Availability of Facilities: Availability, costs, and quality of necessary facilities play decisive role in channel selection. Facilities like transportation, communication, warehousing, banking, insurance, supporting government agencies at national and international level, degree of harmony among states of the country, and relations among nations at large affect firm's channel decisions.

6.7 INTERMEDIARIES

Intermediaries are external groups, individuals or businesses that make it possible for a company to deliver their products to the end users. Though most of them differ in their nature and manner of operation, they by and large have something in common, all of them procure (with or without taking title or ownership) goods from one place and forwarded to another. Some commonly known intermediaries havebeen discussed below:

1. **Brokers and Agents:** Many companies use brokers and agents who do not take title or possession of the goods in marketing their products. Their job is

primarily to connect the seller with the buyer and to make the buying selling process easier. They often play the role of a negotiator between the buyer and the seller. For example, industries, namely, real estate, insurance, used cars, etc. evidently have a large number of brokers and agents to negotiate the buying selling process and connecting the buyer with the sellers. They usually operate on commission basis that they receive either from the buyer or the seller or both. They do not carry any inventory or assume the title of the products or assume any risk. They are only facilitators in the distribution process.

2. **Wholesalers:** They typically buy goods from the manufacturer or other distributors in bulk and resell them usually to the retailers. They are independent businessmen and take ownership of the products purchased from the manufacturer or other distributors. Wholesalers of some products also provide services such as order processing, storage, delivery and participate in product promotions as well.

3. **Distributors:** Distributors are similar to wholesalers in their function. They are usually appointed by the manufacturers to exclusively distribute goods of their company only and do not sell products of other companies. For Example, a distributor of Coca-Cola will not distribute Pepsi products. This is one prominent difference between distributors and wholesalers as wholesalers do sell products of different brands under the same roof.

4. **Retailers:** Retailers come in a variety of shapes and sizes, from the corner grocery store to large chains like Big Bazaar, D-Mart, Reliance Market, etc. whatever be the denomination of the retailer, he purchases products from marketintermediaries or the producer and sell them directly to the end user for a profit. The role of a retailer is different from that of other market intermediaries becausehe's the only one in the entire distribution network who deals with the customers directly. All other intermediaries buy from one business unit and sell it to another business unit. Retailers usually have a keen eye on the target market and soughttheir products and brands keeping in mind the consumers' needs.

5. **Franchisees:** A franchisee is a type of license holder that a party acquires to allow them to have access to a business's proprietary knowledge, processes and trademarks in order to allow the party to sell products or provide a service under the business's name. In exchange of gaining such an authorization, the franchisee usually pays the franchisor a license fee or a franchise fee. A franchisee is usually treated as a business partner by the franchisors; he not only assumes the title of the goods or services on behalf of the franchisor but also may invest his own capital in carrying out the distribution process. Many multinational restaurant chains like McDonald's, Dominos, Pizza Hut and KFC follow this system of distribution. Such a system of distribution is also noticed in education companies, saloon chains, tax and legal consultants, etc.

6.8 RETAILING

Retailing includes all the activities involved in selling goods or services directly to final consumers for their personal, non-business use. It may include giant corporates such as Big Bazaar, D-Mart, Reliance, Tata; it may include service providers like hotels, restaurants, doctors, tax consultants, lawyers; it may also include small grocery stores and even hawkers. The span of retailing is very large and in countries like India it also includes a colossal unorganised sector. Although most retailing is done in retail stores, in recent years non-store retailing, selling by mail, telephone, door-to- door contact, vending machines, the Internet, and numerous electronic means have grown tremendously. Finally, although many retail stores are independently owned, an increasing number are now banding together under some form of corporate or contractual organization.

6.8.1 FUNCTIONS OF RETAILING

Retailers are searching for new marketing strategies to attract and hold customers. In the past, retailers attracted customers with unique products, more or better services than their competitors offer. Today, national brand manufacturers, in their drive for volume, have placed their branded goods everywhere.

Customers have become smarter and more price sensitive. They see no reason to pay more for identical brands, especially when service differences are shrinking. Because bank credit cards are now accepted at most stores, consumers no longer need credit from a particular store. For all these reasons, many retailers today are rethinking their marketing strategies.

1. **Target Market and Positioning Decision:** Retailers first must define their target markets and then on how they will position themselves. Should the store focus on upscale, midscale, or downscale shoppers? Do target shoppers want variety, depth of assortment, convenience, or low prices? Until they define and profile their markets, retailers cannot make consistent decisions about product assortment, services, pricing, advertising, store decor, or any of the other decisions that must support their positions.

2. **Product Assortment and Services Decision:** Retailers must decide on three major product variables: *product assortment, services mix, and store atmosphere.* The retailer's ***product assortment*** should match target shoppers' expectations. The retailer must determine both the product assortment's width and its depth. Thus, a restaurant can offer a narrow and shallow assortment (small lunch counter), a narrow and deep assortment (delicatessen), a wide and shallow assortment (cafeteria), or a wide and deep assortment (large restaurant). Another product assortment element is the quality of the goods: The customer is interested not only in the range of choice but also in the quality ofthe products available. Retailers also must decide on a ***services mix*** to offer customers. The traditional grocery stores offered home delivery, credit, and conversation services that today's supermarkets ignore. The services mix is one of the key tools of non-price competition for setting one store apart from another. The ***store's atmosphere*** is another element in its product arsenal. Every store has a physical layout that makes moving around comfortable.

   All of this confirms that retail stores are much more than simply assortments of goods. They are environments to be experienced by the people who shop in them. Store atmospheres offer a powerful tool by which retailers can differentiatetheir stores from those of competitors.

3. **Price Decision:** A retailer's price policy is a crucial positioning factor and must be decided in relation to its target market, its product and service assortment, and its competition. All retailers would like to charge high margin and achieve high volume, but the two seldom go together. Most retailers seek either high margin on lower volume (most specialty stores) or low margin on higher volume (mass merchandisers and discount stores).

4. **Promotion Decision:** Retailers use the normal promotion tools—advertising, personal selling, sales promotion, and public relations—to reach consumers. They advertise in newspapers, magazines, radio, and television. Advertising may be supported by newspaper inserts and direct-mail pieces. Personal selling requirescareful training of salespeople in how to greet customers, meet their needs, and handle their complaints. Sales promotions may include in-store demonstrations, displays, contests, and visiting celebrities. Public relations activities such as press conferences and speeches, store openings, special events, newsletters, magazines, and public service activities are always available to retailers.
5. **Place Decision:** Retailers often cite this critical factor in retailing success: Location! A retailer's location is vital to its ability to attract customers. The costs of building or leasing facilities have a major impact on the retailer's profits. Thus, site-location decisions are among the most important the retailer makes. Small retailers may have to settle for whatever locations they can find or afford. Large retailers usually employ specialists who select locations using advanced methods. Smart retailers locate in rapidly growing areas where the population closely matches their customer base.

6.8.2 TYPES OF RETAILERS

Retailers can be broadly categorised into two categories (1) Store Retailers and (2)Non-Store Retailers.

Store Retailers

1. **Hypermarkets:** Hypermarkets are a recent format of retail in India, only as old as about a half decade. In fact, the mall culture in India isdemarcated by the hypermarkets. These are very large supermarkets with the shop floor area ranging from 2 to 3 lakh square feet. It is usually a huge commercial complex the number of small and large shop spaces. The shop spaces are usually available on hire from the builders for individuals whowish to put up their retail space in the mall. These stores offer a wide variety of products ranging from needles to household equipment's. These hypermarkets usually include foods zones, gaming zones, theatres, etc. along with other shopping area. This attracts a huge amount of footfall that stands to the advantage of the shop owners and attracts them to hire spaces in hypermarkets.

2. **Supermarkets:** Supermarkets are retail outlets that are based on the concept of self-service. The customer can pick up products on their own,from a wide variety of brands displayed on the shelves. They aim at meeting the customers' total needs for their routine purchases of food and non-food items. However, many have now diversified and supply products pertaining tohome decor, fashion, electrical and appliances and so on. Supermarkets have

significant buying power and therefore often sell goods at low prices.

3. **Convenience Stores:** These are retail stores usually located in residential areas closer to the customers. The biggest advantage of the offer is the convenience. Usually also known as provision stores in India and also called "Mom and Pop" stores in a few other countries. They usually have a limited range of products normally sold with very little or no discounts or sometimes even sold at a premium due to the added value of convenience. These are often open for long hours with relatively lower overheads. They are usually family-owned and often are part of the owner’s residence itself. They are usually used by customers for "fill-in" purchases.

4. **Department Stores:** Department Stores are usually larger size convenience stores carrying several product lines typically clothing, home furnishing and household goods. With each of these lines operating as a separate department and managed by a relatively trained people selling in that product line. It gets its name since it is divided into departments. They are larger than convenience stores but not as large as supermarkets and usually offer simpler purchasing complexities as compared to a supermarket. Westside, Pantaloons, Shoppers’ Stop are some popular examples of department stores in India. Apart from these national brands are also quite a few locally prevailing Department stores in every city.

5. **Specialty Stores:** As the name itself suggests, these are stores that sell special products or special product line. These stores provide a narrow product line but a wide assortment (or selection) of products within the product line. They target a very specific segment of customers usually not a very large segment to carry out their sales. These stores are usually staffed by people who are knowledgeable about the product line and often assist and advise the customers in their purchasing. Some noticeable examples of these type of stores in India are apparel stores, sports stores, furniture stores, florists, Ayurveda stores, bookstores etc.

6. **Discount Stores:** Discount Stores sells branded merchandise at low prices by accepting lower margins and selling higher volumes. These stores normally target the middle and lower middle-class customers, who are price sensitive. A discount store regularly sells its merchandise at lower prices, offering mostly national brands, but not inferior goods. They generally include both general merchandise and specialty merchandise. Big Bazaar, D-Mart, Start Bazaar, Reliance Market are some well-known discount store chains operating in India.

7. **Service Retailers**: For some businesses, the ‘product line’ is actually a service. Service retailers include hotels and motels, banks, airlines, colleges, hospitals, movie theatres, tennis clubs, bowling alleys, restaurants, repair services, salons, dry cleaners, etc. Service retailers in India are growing faster than product retailers.

6.8.3 NON-STORE RETAILERS

1. **Automatic Vending Machines:** A Vending Machine is a machine that dispenses small articles such as food, drinks, or cigarettes or lottery tickets to

consumers when a coin or token or a credit card is inserted. These are usually unmanned machines placed at public places like bus stops, railway stations or airport etc. The products dispensed by the machine are normally visible to the customer usually through a transparent glass. The customer normally inserts a coin or swipes a card as may be offered by the machine and dispenses the selected product by the customer. One classic exampleof a vending machine is an ATM machine that dispenses cash. Vending machines could have either just one category of products or sometimes even multiple products. This is quite a popular method of retail in most countries; a country like the USA has more than 4.5 million vending machines across the country. The main advantage of vending machines is its location and minute overheads. It is still a developing concept in India.

2. **Hawkers and Peddlers:** Hawkers and peddlers themselves carry their goods from place to place, usually in wheeled vehicles and sell them at the customer's doorsteps. These retailers do not have any fixed place of business. Goods such as fruits and vegetables are some of the most sold articles by hawkers and peddlers in India. Even products like ready-made garments, toys, stationary etc. are sold by hawkers and peddlers. Some well-known ice cream companies in India like Havmor and Vadilal also use peddlers to sell their ice cream at populous and crowded (like hangout places, exhibitions, fairs, outside theatres etc.) places in the cities.

3. **Market Traders:** Market traders are those retailers who open their shops at different places on fixed days, known as market days. Such days may be fixed on a weekly or monthly basis. They do their business when other shops are closed during weekends. Market traders also act as mobile retailers at fairs and festivals.

4. **Street Traders:** Such retailers carry on their business on the busy streets or footpaths of big cities and towns. They carry on their business usually at bus stops, railway stations, near cinema houses, near government andcommercial offices, schools and colleges. They generally deal in one kind of goods at one time. In the big cities, selling on the streets and parks has increased considerably and is a great nuisance to the public. Street sellers deal in goods of lighter weight and smaller bulk. Goods having large demandare preferred.

5. **E-Tailers:** E-tailers are retailers who enable customers to shop online, via the Internet. The purchased products are then delivered through a delivery system usually courier services. These types of retailers are highly convenient and are able to service a wider geography customer base. Since the whole system is online it is also possible for the retailers to offer the customers a wide range of products; ranging from food items, clothing, appliances, electronics, furniture and so on. Some of the well-known operators in India are Amazon, Snap Deal, Flip Kart, Jobong, Myntra, etc. These E-tailers usually act as middlemen like brokers who charge a certain fee for their services. They usually register traders on their website or virtual platform, display their products online, which the customers can view on theirwebsite or mobile application. Customers can place orders online and pay either online or on delivery of goods. E-tailers in India have evolved over a period of time and

have managed to remove a lot of bottlenecks that prevailed earlier in the system of retailing. Most of the well-known players in this space support the customer with very good after sale service. This also includes an efficient system to return goods, which has boosted confidence into the customers to buy online.

6.9 WHOLESALING

Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. A retail bakery is engaging in wholesaling when it sells pastry to the local hotel. We call wholesalers those firms engaged primarily in wholesaling activity.

Wholesalers buy mostly from producers and sell mostly to retailers, industrial consumers, and other wholesalers. But why are wholesalers used at all? For example, why would a producer use wholesalers rather than selling directly to retailers or consumers? Quite simply, wholesalers are often better at performing one or more of the following channel functions:

1. **Selling and promoting:** Wholesalers' sales forces help manufacturers reach many small customers at a low cost. The wholesaler has more contacts and is often more trusted by the buyer than the distant manufacturer.

2. **Buying and assortment building:** Wholesalers can select items and build assortments needed by their customers, thereby saving the consumers much work.

3. **Bulk breaking:** Wholesalers save their customers money by buying in carload lots and breaking bulk (breaking large lots into small quantities).

4. **Warehousing:** Wholesalers hold inventories, thereby reducing the inventory costs and risks of suppliers and customers.

5. **Transportation:** Wholesalers can provide quicker delivery to buyers because they are closer than the producers.

6. **Financing:** Wholesalers finance their customers by giving credit, and they finance their suppliers by ordering early and paying bills on time.

7. **Risk bearing:** Wholesalers absorb risk by taking title and bearing the cost of theft, damage, spoilage, and obsolescence.

8. **Market information:** Wholesalers give information to suppliers and customers about competitors, new products, and price developments.

9. **Management services and advice:** Wholesalers often help retailers train their sales representatives, improve store layouts and displays, and set up accountingand inventory control systems.

6.9.1 TYPES OF WHOLESALERS

Wholesalers fall into three major groups; merchant wholesalers, brokers and agents, and manufacturers' sales branches and offices. Merchant wholesalers are the largestsingle group of wholesalers, accounting for a bulk of all wholesaling.

1. **Merchant wholesalers:** Merchant wholesalers include two broad types; full-service wholesalers and limited-service wholesalers. Full-service wholesalers provide a full set of services; whereas the various limited-service wholesalers offer fewer services to their suppliers and customers. The several different types of limited-service wholesalers perform varied specialized functions in the distribution channel.

2. **Brokers and agents:** Brokers and agents differ from merchant wholesalers in two ways: They do not take title to goods, and they perform only a few functions. Like merchant wholesalers, they generally specialize by product line or customertype. A broker brings buyers and sellers together and assists in negotiation. Agents represent buyers or sellers on a more permanent basis. Manufacturers' agents (also called manufacturers' representatives) are the most common typeof agent wholesaler.

3. **Manufacturers' sales branches:** The third major type of wholesaling is that done in manufacturers' sales branches and offices by sellers or buyers themselves rather than through independent wholesalers.

❖ CHECK YOUR PROGRESS

- **DESCRIPTIVE QUESTIONS**

1. What are distribution channels? Define its characteristics in detail.
2. Define distribution channels and explain its important functions.
3. Explain in detail different types of distribution channels.
4. What are distribution channels? Explain various channel management decisions in detail.
5. Explain different factors affecting channel selection.
6. Explain different types of intermediaries involved in a distribution channel.
7. Defined retailing and its different functions.
8. What is Retailing? Also define different types of retailers.
9. What is Wholesaling? Explain various functions carried out by wholesalers in the distribution channel.
10. Explain the concept of wholesaling and the different types of wholesalers.

- **SHORT QUESTIONS**

1. What is distribution? Briefly define distribution channels.
2. Explain the characteristics of distribution channels.
3. Define direct or zero level channel of distribution.
4. What Is Exclusive Distribution?
5. What Is Selective Distribution?
6. What is Intensive Distribution?
7. How does a marketer select, train and motivate channel members?
8. What are E-tailers?
9. Explain any two non-store retailers.

10. Explain different types of wholesalers.

- **MULTIPLE-CHOICE QUESTIONS (MCQS)**

1. Route or path created by a company or a marketer to reach its products to itsend users is known as?

a. Water channel
b. Distribution channel
c. Communication channel
d. None of the above

2. Which one of the following is a characteristic of distribution channels?

a. Composition
b. Ancillary services
c. Intermediary remuneration
d. All of the above

3. What word better defines place transformation of goods?

a. Storage
b. Production
c. Logistics
d. None of the above

4. What word better defines time transformation of goods?

a. Storage
b. Production
c. Logistics
d. None of the above

5. The process of segregating and matching products to the consumers' needs isbetter known as?

a. Negotiation
b. Risk taking
c. Financing
d. Assorting

6. What type of distribution channel is it called if it has a Manufacturer, a Retailerand the Customer?

a. Zero level channel
b. One level channel
c. Two level channel
d. Three level channel

7. Door to door selling is an example of

a. Zero level channel

b. One level channel
c. Two level channel
d. Three level channel

8. When a retailer serving a given area is granted sole rights to carry the product inthat area, it is an example of

a. Intensive distribution
b. Selective distribution
c. Exclusive distribution
d. None of the above

9. What factors can influence during the selection of a distribution channel?

a. Product related
b. Market related
c. Middlemen related
d. All of the above

10. Middlemen who do not take the title or possession of the goods but only act asnegotiators between the buyer and seller are called?

a. Broker
b. Retailers
c. Wholesalers
d. Franchisee

11. A retail store located in residential area, with limited range of products and notoffering discounts is called?

a. Hypermarkets
b. Convenience store
c. Specialty store
d. Supermarket

12. Retailers who carry their goods from place to place usually on wheeled vehiclesand sell them at the customer's doorstep are called?

a. Vending machines
b. Convenience stores
c. Hawkers and peddlers
d. E-tailers

ANSWER KEY TO MCQS

1.	2.	3.	4.	5.	6.	7.	8.	9.	10	11	12
b	d	c	a	d	b	a	c	d	a	b	c

UNIT-7 PROMOTION MIX

7.1 INTRODUCTION TO MARKET PROMOTION

Broadly speaking, promotion means to push forward or to advance an idea in such a way as to gain its acceptance and approval. Promotion is any communicative activity whose main object is to move forward a product, service or idea in a channel of distribution. It is an effort by a marketer to inform and persuade buyers to accept, resell, recommend, or use the article, service or idea which is being promoted. Promotion is a form of communication with an additional element of persuasion. The promotional activities always attempt to affect knowledge, attitudes, preferences and behavior of recipients, i.e., buyers. The element of persuasion to accept ideas, products, services, etc. is the heart of promotion.

Market promotion is also called market communication. It involves providing necessary information to the target market. In today's competitive marketing environment, market promotion is not only useful but also indispensable. If adequate promotional efforts are not made, company cannot grow and survive. Obviously, people buy the product if they think it is superior. Marketer has to communicate with target market about the competitive advantages of one’s product. The firm has to supply information about product features, benefits, availability, price, and so forth to enable customers buy the product. Again, due to centralized production and decentralized market, market promotion has become an inevitable activity. It happens that people do not buy the product simply because they do not know. So, marketers are increasingly engaged in market promotion. A large amount of money is spared for the purpose. It can be said that success and failure of the product, to a large extent, depends on how it is promoted.

In any exchange activity communication is absolutely necessary. You may have the best product, package and so on. It may have fair price. But people will not buy your product, if they have never heard of it, and they are simply unaware of its existence. The marketer must communicate to his prospective buyers and provide them adequate information in a persuasive language. People must know that the right product is available at the right place and at the right price. This is the job of promotion in marketing. Sales do not take place automatically without promotion or marketing communication even though one's product is superb, it can precisely fill the customer's wants provided the appropriate channels of distribution are used. In essence, promotion is the spark plug in the marketing mix. It is said that 'nothing happens until somebody promotes something'. Promotion is the third element of marketing mix and it is an important marketing strategy. It fulfils the marketers' need to communicate with consumers.

What is Promotion?

Promotion is the process of marketing communication involving information, persuasion and influence. Promotion has been defined as "the coordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas or points of view". It is a form of non-price competition.

Essentially, promotion is a persuasive communication to inform potential customers of the existence of products, to persuade them that those products have want satisfying capabilities. Consumers buy a bundle of expectations (a package of utilities) to satisfy their economic, psycho-social wants and desires. The promotion offers the message, *viz*. the communication of these benefits to consumers. Hence, promotion message has two basic purposes: 1. persuasive communication, and 2. tool of competition. Promotion is responsible for awakening and stimulating consumer demand for one's product. It can create demand, capture demand from rivals and maintain demand for the products even against the competition. Of course, it is taken for granted that one's product has the capacity to satisfy consumer expectations and can fill their wants and desires. It is a truism that nothing can be sold and nothing can make money (except mint) without some means of promotion.

7.2 DEFINITIONS OF MARKET PROMOTION

Term 'market promotion', often referred to as **market communication**, has been defined as follows: Market promotion includes a set of efforts made bymarketer to stimulate demand for the product without changing product mix, price, and distribution system. Market promotion is combination of **advertising, sales promotion, personal selling (salesmanship), and publicity and public relations**.

It can also be said: **Market promotion is basically a market communication processdirected to stimulate demand for the products**.

William Stanton: "Promotion is the element of an organization's marketing mix that is used to inform and persuade the market regarding the organization's products and services.'

Alderson and Paul Green: "Promotion is any marketing effort whose function is to inform or persuade actual or potential consumers about the merits of a product or service for thepurpose of introducing a consumer either to continue or to start purchasing the firm's productor service at the same (given) price.'

Brink and Kelly: "The coordination of all seller-initiated efforts to set up channel of information and persuasion to facilitate the sale of a product or service, or the acceptance of an idea.'

7.3 SIGNIFICANCE AND IMPORTANCE OF MARKET PROMOTION

Market promotion is an integral part of marketing strategy. It is a powerful weapon used excessively by marketer to achieve marketing goals in a competitive environment. Market promotion is essentially a way to communicate with the target market. Since the modern market is characterized by over-informed consumers. Over-flooded products, throat-cut competition, and rapid changes, the market promotion has a greater role to play. In a nutshell, main objectives of market promotion can be described with reference to below stated points:

1. **To Stimulate Demand:** It is the primary objective of market promotion. By using the appropriate means of market promotion, such as advertising, sales promotion, personal selling, and so on, company can stimulate demand for the product. Market promotion efforts convert potential buyers into actual buyers. Company, by highlighting product benefits, tries to match the product with needs, wants and expectations of buyers. As per need, using various means of market promotion. A company attracts customers byeffective communication.

2. **To Inform Consumers:** Promotion is aimed at informing consumers about features, qualities, Performance, and availability of firm's products. Market promotion is also a valuable mean to inform consumers the changes made in the existing products and introduction of new products. In the same way, market promotion, by various tools of market communication, is used for communicating the special offers, price concession, necessity of products, and incentives offered by the company.

3. **To Persuade Consumers:** Advertising, personal selling, and publicity and public relations—all promotional tools are capable to create or improve image and reputation of the firm. Many companies have become popular in the market due to effective market promotion. Company can reach the customers in every corner of the World through market promotion. Brand image is

purely the outcome to promotional efforts. For example, Hindustan Uniliver, Colgate Palmolive. Sony, Philips. Hero Honda, Ambuja Cement, and many national and multinational companies have made their permanent place in the market due to successful launching of promotion programme.

4. **To Promote a New Product:** In a large and decentralized market, market promotion is an inevitable medium to promote a new product. By suitable promotional strategies, a company can successfully introduce a new product in the market as against existing products. Company can inform about availability, distinct features, and price of newly launched product. In every stage of consumer adoption of new product, market promotion has critical role to play.

5. **To Face Competitions:** Market promotion enables the firm to face competition effectively. In today's market situation, it is difficult to stand without the suitable promotional efforts. In short, it can be said that marketer can fight with competitors effectively, can prevent their entry, or can throw the competitor from the market by formulating and implementing effective market promotion strategies.

6. **To Create or Improve Image:** Market promotion is an effective way to persuade consumers the superiority of product over competitors. A firm can communicate competitive advantages offered by its product to distinguish from competitors' offer. Obviously, market promotion can assist the firm to convince buyers that the firm's product is the best solution to their unmet needs and wants. Advertising is one of the most effective tools to distinguish the product from other products offered by competitors.

Thus, market promotion can help a company realize various objectives. Company can increase sales, improve its image, and maintain close contact with market by promotional efforts. Company's survival, growth, and development are based on how effectively it communicates with the market.

7.4 MARKET PROMOTION AS MARKET COMMUNICATION

Marketing communications or promotion helps marketers communicate information to potential customers about the product’s existence, value and the benefits that can be accrued from it. It comprises one of the four elements of the marketing mix. Designing an effective marketing communication mix helps marketers to attract, persuade, urge and remind customers of the company’s brands.

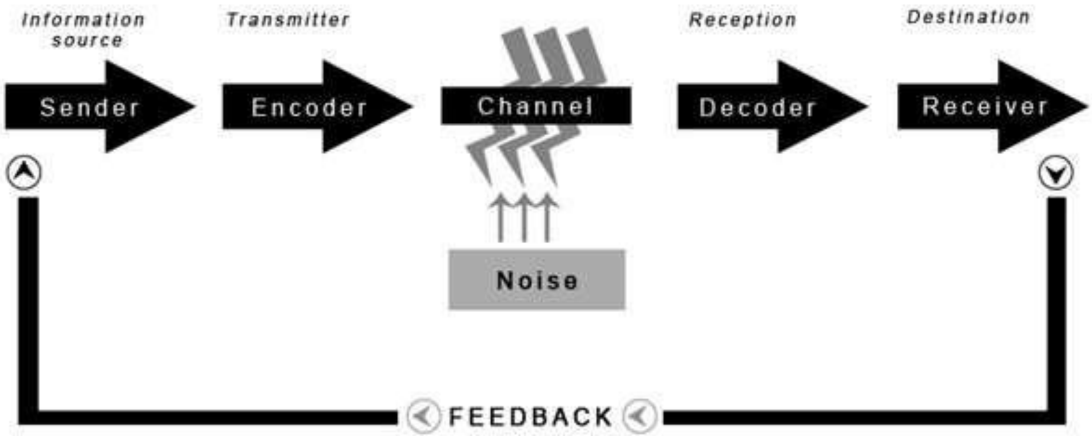
Compared with the communication options available to marketers in the past, there are now a larger number and greater diversity of communication options available. Thus, the design, implementation and evaluation of communication programs in the current business scenario pose a significant challenge to marketers. The marketer has to integrate these various communication options to derive the maximum benefit for the company. Designing and integration of these communication options can be compared to how a composer combines various musical instruments in an orchestra. Even though the use of a single instrument may suffice, the use of a combination of instruments improves the quality of the rendition. Thus, by integrating the various communication options, a marketer develops an integrated marketing communication program.

In the marketing communication process, a sender sends the encoded message through a medium for a receiver to receive and decode. Normally, the marketing communication process has some form of feedback. We all know that advertising is a form of marketing communication. In advertising, the source of the communication process is the company or its representative, which is an advertising agency. The medium through which this message iscommunicated can be a newspaper or the television and so on. The receiver is the reader of that newspaper or the person watching the television. Feedback from these receivers will be in the form of their response to the products.

Coming to the marketing communication process, the words promotion and advertising, both of which are extensively used in the marketing communication mix, have originated from Latin. In Latin 'pro' means forward and 'movere' means to push. Thus, promotion means to push forward. Similarly, advertising means 'to turn towards.' So, these two terms stand for pushing forward the product and turning towards the customers. But it is important to note that the marketing communication mix has evolved over the years. It encompasses various other elements besides advertising and promotion, like public relations, personal selling, direct marketing, etc.

7.5 THE COMMUNICATION PROCESS

The communication process consists of the following components:



Communication source

The communication process starts when an individual, group of individuals or an organization wants to communicate some message to the target audience. Therefore, the sender of the message is the source of communication. The sender sends the message to a communication destination through a medium. The communication destination in the communication process is called the receiver. Communication can take place in many ways ranging from simple face-to-face communication to communicating through electronic media such as television, the Internet, radio or the print media. It is essential for the sender to communicate in such a way as to ensure that the message is perceived by the receiver in the way it was intended to be. While communicating, the sender might have his own perceptions about the message but these may not necessarily match the perception of the receiver. However, for an effective message, the perceptions of sender and receiver should match. This is especially important in marketing communication since a wrongly communicated message may result in the failure of a product in the market despite it being superior in terms of features and quality.

Receiver

The receiver, the destination of the communicated message, receives the message transmitted by the sender. The manner in which the communication is received is dependenton the perception of the receiver.

Coding process

The coding process involves selection of the right amount of information, the type of information and the organization of information that has to be sent to the receiver. The sender has to ensure that the right amount of information is communicated to the receiver. Too much information may confuse the receiver and too little may not serve the sender's purpose in communicating it.

Medium of transmission

The medium of transmission is the interface between the sender and the receiver. It acts as acarrier of information from the source to the destination. The marketing department of an organization must choose the medium of communication on the basis of the type of information that has to be communicated, the location of the receiver/s, speed of the medium, etc. The media available for communication in this technologically advanced age are large in numbers, and range from direct marketing to cell phone marketing. SMS will soon become a powerful medium for advertising. Exhibit 19.1 gives a brief outline of how corporates are changing their media mix plans because of the popularity of SMS as a medium for communication.

Decoding process

Decoding is the process in which the receiver analyzes or interprets the information that has been sent by a sender. The decoding process is successful only when the receiver interprets the message as it was intended to be interpreted by the sender.

Noise

Noise is the disturbance or interference caused during the coding, transmission and decoding process. Noise may spoil the entire communication process. It disturbs the intended message, which therefore may not be perceived by the receiver accurately. It can be a technically caused noise when the message gets distorted during transmission due to a technical defect like an improper telephone connection.

The noise can also be physical like children in the family making noise while the receiver is watching television advertisements. There are other noises as well, such as social noise and psychological noise. Social noise causes disturbance in the message transmission due to social imbalance; for example, a team of experienced scientists may not listen to a young scientist's new discovery. Psychological noise arises because of emotional state of an individual. For example, when a customer is angry for not receiving a courier from Blue Dart within twenty-four hours, he will not listen to courier person for the reasons of delaying it.

Feedback

Feedback is an important step in the communication process, as it helps in the continuation of the communication process. The feedback given by the receiver forms the basis for further communication. The feedback also helps in analyzing the way in which the receiver interprets the information and thus helps the sender take corrective action, if necessary.

Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible to target consumers. Companies must also communicate with their customers. Every company is inevitably cast into the role of communicator and promoter.

What is communicated, however, should not be left to chance. To communicate effectively, companies hire advertising agencies to develop effective ads, sales promotion specialists to design sales incentive programs, and public relations firms to develop the corporate image. They train their sales people to be friendly and knowledgeable.

A modern company manages a complex marketing communication system. The company communicates with its middlemen, consumers, and various publics. Its middlemen communicate with their consumers and various publics.

Communication goes beyond specific communication tools. The products styling & its price, the package’s shape and color, the sales person’s manner and dress – all communicate something to the buyers.

7.6 PROMOTION MIX

The promotion element of the marketing mix of the organisation includes all the relevant “activities, materials, and media used by a marketer to inform and remind prospective customers about a particular product offering”. The goal of promotion is to persuade the target consumer to buy or consume the product offering.

The promotional element of the marketing mix is also referred to as the marketing communication or promotional mix, and includes various communication methods and activities aimed at the target consumer. The integration of the promotional elements is called integrated marketing communications, or IMC.

As was mentioned previously, an integration of the various tools available to the promotional manager is vital to reaching the organisation's marketing objectives. Various academics have diverse opinions on the terminology and importance of the promotional element of marketing.

7.6.1 ADVERTISING

The word advertising comes from the Latin word *advertere* meaning to turn the minds towards". Some of the definitions given by various authors are: According to William J. Stanton, "Advertising consists of all the activities involved in presenting to an audience a non-personal, sponsor-identified, paid-for message about a product or organization." According to American Marketing Association "advertising is any paid form ofnon-personal presentation and promotion of ideas, goods and services by an identified sponsor".

Advertising is used for communicating business information to the present and prospective customers. It usually provides information about the advertising firm, its product qualities, place of availability of its products, etc. Advertisement is indispensable for both the sellers and the buyers. However, it is more important for the sellers. In the modern age of large-scaleproduction, producers cannot think of pushing sale of their products without advertising them. Advertisement supplements personal selling to a great extent. Advertising has acquired great importance in the modern world where tough competition in the market and fast changes in technology, we find fashion and taste in the customers.

Definitions

1. American Marketing Association has defined advertising as “any paid form of non- personal presentation of ideas, goods and services by an identified sponsor”.
2. According to Webster, “Advertising is to give public notice or to announce publicity”.
3. According to Gardner, “Advertising is the means of mass selling that has grown upparallel with and has been made necessary to mass production”.

❖ **Features of Advertising**

1. **Communication:** Advertising is means of mass communication reaching the masses. It is a non-personal communication because it is addressed to masses.

2. **Information:** Advertising informs the buyers about the benefits they would get when they purchase a particular product. However, the information given should be complete and true.

3. **Persuasion:** The advertiser expects to create a favourable attitude which will lead to favourable actions. Any advertising process attempts at converting the prospects into customers. It is thus an indirect salesmanship and essentially a persuasion technique.

4. **Profit Maximisation:** True advertising does not attempt at maximising profits by increasing the cost but by promoting the sales. This way It won’t lead to increase the price of the product. Thus, it has a higher sales approach rather than the higher-cost approach.

5. **Non-Personal Presentation:** Salesmanship is personal selling whereas advertising is non-personal in character. Advertising is not meant for anyone individual but for all. There is absence of personal appeal in advertising.

6. **Identified Sponsor:** A sponsor may be an individual or a firm who pays for the advertisement. The name of reputed company may increase sale or products. The product gets good market because of its identity with the reputed corporate body.

7. **Consumer Choice:** Advertising facilitates consumer choice. It enables consumers to purchase goods as per their budget requirement and choice. Right choice makes consumer happy and satisfied.

8. **Art, Science and Profession:** Advertising is an art because it represents a field of creativity. Advertising is a science because it has a body of organised knowledge. Advertising is profession is now treated as a profession with its professional bodies and code of conduct for members.

9. **Element of Marking Mix:** Advertising is an important element of promotion mix. Advertising has proved to be of great utility to sell goods and services. Large manufactures spend crores of rupees on advertising.

10. **Element of Creativity:** A good advertising campaign involve slot of creativity and imagination. When the message of the advertiser matches the expectations of consumers, such creativity makes way for successful campaign.

❖ **Objectives of Advertising**

The fundamental purpose of advertising is to sell something – a product, a service or an idea. In addition to this general objective, advertising is also used by the modern business enterprises for certain specific objectives which are listed below:

1. To introduce a new product by creating interest for it among the prospective customers.
2. To support personal selling programme. Advertising maybe used to open customers'doors for salesman.
3. To reach people inaccessible to salesman.
4. To enter a new market or attract a new group of customers.
5. To light competition in the market and to increase the sales as seen in the fiercecompetition between Coke and Pepsi.
6. To enhance the goodwill of the enterprise by promising better quality products andservices.
7. To improve dealer relations. Advertising supports the dealers in selling the product. Dealers are attracted towards a product which is advertised effectively.
8. To warn the public against imitation of an enterprise's products.

7.6.2 PERSONAL SELLING

Personal selling involves an oral presentation of the message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication. It occurs when an individual salesperson sells a product, service or solution to a client. Companies appoint salespersons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making a sale. It is a promotional method by which the salesperson uses his or her skills and abilities in an attempt to make a sale.

The features of personal selling define the particular characteristics which are related to personal selling. It includes various points such as:

Features

1. **Personal Form:** This is the first feature of personal selling and it means that there is a face-to-face interaction between buyers and sellers. Under personal selling, personal contact is established between the buyers and the salesman. In other words, both parties face each other. In personal selling, a direct face-to-face dialogue takes place that involves an interactive relationship between the seller and the buyer.

2. **Development of Relationship:** Personal selling allows a salesperson to develop personalrelationships with prospective customers, which may become important in making a sale. It results in the development of personal relationship between the salesperson and the possible buyer. The seller tries to understand the needs of the buyers and provide the product matching the customer needs. Such a relationship has an important place in sales.

3. **Oral Conversation:** There is oral conversation between the salesperson and the buyer regarding the features of the product, i.e., price, color, shape, design, method of use, etc. Through this feature, the salesman helps to tries to persuade the customers for a particular product and make a healthy relationship between them.

4. **Quick solution of Queries:** The prospective buyer can make inquiries regarding the product. Salesman answers these queries quickly and removes any doubts in the mind of the buyer. The seller is always trying to receive the feedback of the consumers because a consumer is the only person who can tell us more about merits and demerits of the product.

5. **Receipt of Additional Information:** Usually, before introducing its product, a company is conscious of the preferences of the possible buyers. However, during the course of personal selling, when the salesperson is in direct contact with the buyers, he/she gathers additional information regarding their tastes and likings.

6. **Real Sale:** Under personal selling, the buyers are not only informed about the product but the goods are actually sold to them. A good salesman is considered to be a person who should influence or satisfy a customer to his product so that the customer is induced to buy and use a particular product.

7.6.3 SALES PROMOTIONS

Sales promotion includes short-term incentives offered to middlemen, salesmen, and/or consumers. Sales promotion implies a wide variety of promotional activities. In the current marketing practices, the role of sales promotion has increased tremendously. Companies spare and spend millions of rupees to arrest consumer attention toward products and to arouse purchase interest. Sales promotional efforts also improve firm's competitive position.
Such efforts seem inevitable in today's marketing situation. It can also reduce the degree of consumer dissatisfaction. Nowadays, sales promotional efforts are undertaken for variety of purposes. It is among the most critical and expensive marketing decisions.
Sales promotion covers those marketing activities other than advertising, publicity, and personal selling that stimulate consumer purchasing and dealer effectiveness. Sales promotion mainly involves short-term and non-routine incentives offered to dealers as well as consumers. The popular methods used for sales promotion are demonstration, trade show, exhibition, exchange offer, seasonal discount, free service, gifts, credit facilities, contests, andso on.

Definitions

1. **Philip Kotler:** "Those marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, demonstrations, expositions, and various other non-current selling efforts, not in ordinary routine."
2. **Robert C. and Scott A.:** "Sales promotion consists of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or traders."
3. Thus, it can be defined as: Sales promotion involves non-routine promotional devices to stimulate and re-stimulate the demand of the product.

Characteristics

1. It is a part of market promotion. It involves all the promotional efforts other thanadvertising, personal selling, and publicity.
2. The primary purpose is to induce customer for immediate buying or dealer effectivenessor both.
3. It is optional. Many companies do not practice it.
4. It is directed for multiple objectives, like to maintain sales during off season, to increase sales, to face competition, to clear stocks, to improve image, to promote new products, etc.
5. It consists of offering, wide variety of tools/incentives.
6. Sales promotion efforts consist of special selling efforts for the specific time period in forms of short-term incentives and schemes undertaken at consumer level, dealer level orat salesmen level.
7. It involves the non-recurrent selling efforts. They are not a part of daily activities. They are not undertaken repeatedly.
8. Sales promotion incentives are imitative. Competitors can easily imitate them.
9. Sales promotion is expensive. It may affect adversity the profitability of

company.
10. Excessive use of sale promotion may affect sales and reputation of company adversely.
11. It supports personal selling and advertising efforts. It is like a bridge between advertising and personal selling. It can increase effectiveness of other promotional efforts.
12. It includes impersonal incentives. They are offered openly to all.

7.6.4 PUBLICITY

Publicity is media attention for your product, service, or business. It can include traditional news sources such as news shows and newspapers, podcasts, blogs, and websites.

What Is Publicity?

Publicity creates public awareness of yourself, your business, or your brand, products, or services through media coverage and other forms of communication.
It's often part of a marketing campaign. Publicists help manage publicity for individuals and businesses with a goal of increasing positive publicity and minimizing or responding to negative coverage.

How Publicity Works

Traditional advertising has its limitations. It's expensive and it can be difficult to know whether the marketer is reaching one's target audience.
Publicity won't necessarily take the place of traditional advertising but it can raise one's profile. Even better, the best publicity strategies don't involve buying advertising time or space.

Types of Publicity

Publicity can be of different types depending on the channels and methods used. Below area few types:

1. **Social media**: Platforms such as Facebook, Instagram, and Twitter allow you to connect with your potential customers. A strong social media presence keeps your brand in your followers' minds. Rather than trying to make a single post that goes viral, focus on building an interested audience slowly and steadily by offering posts that educate, entertain or both.

2. **Product placement**: Send free products or offer free services to public figures, bloggers, or other media personalities. Your products may end up being featured in their blogs, social media posts, or other public content.

3. **Partnerships**: Working with other brands or businesses can allow you to get your brand in front of a wider audience and generate publicity. Approach potential partners about collaborations, product swaps, or offering your products and services as a free bonus to some of their customers.

4. **Promotional goodies**: Branded items such as calendars, pens, notepads, tote

bags, and phone cases can put your brand name and logo in front of a wide audience. However, you have no guarantee that your target audience will be the one seeing this. Think of it as a fun bonus for customers, rather than a guaranteed way to generate publicity and budget accordingly.

5. **News:** News coverage can help a brand a lot in increasing awareness.

6. **Press Release:** A press release published across various channels can again help in publicity. PR departments of organizations normally do timely press releases to inform about various offerings by a company.

7. **Product Release:** New Product Release is an opportunity for an organization to do publicity.

8. **Conferences:** Conferences can be used for publicity by organisations on some particular theme or topic. Conferences can be a good way to do publicity given it gets good news coverage along with it. It is particularly very popular among pharmaceutical companies to do conferences of the press on specific topics.

7.6.5 PUBLIC RELATIONS

Public relations include a lot of activities to build and maintain long-term and positive relations with a large set of interested publics. It involves a number of interactions, such as contacting, inviting, informing, clarifying, responding, interpreting, dealing, transacting, and so forth.

Public-relations (PR) is the practice of managing and disseminating information from an individual or an organization (such as a business, government agency, or a non-profit organization) to the public in order to affect their public perception. Public-relations (PR) and publicity differ in that PR is controlled internally, whereas publicity is not controlled and contributed by external parties. Public-relations may include an organization or individual gaining exposure to their audiences using topics of public interest and news items that do not require direct payment. The exposure mostly is media-based. This differentiates it from advertising as a form of marketing communications. Public-relations aims to create or obtain coverage for clients for free, also known as earned media, rather than payingfor marketing or advertising also known as paid media.

The aim of public relations is to inform the public, prospective customers, investors, partners, employees, and other stakeholders, and ultimately persuade them to maintain a positive or favourable view about the organization, its leadership, products, or political decisions. Public-relations professionals typically work for PR and marketing firms, businesses and companies, government, and public officials as public information officers and nongovernmental organizations, and non-profit organizations. Jobs central to public relations include account coordinator, account executive, account supervisor, and media relations manager.

Public-relations specialists establish and maintain relationships with an organization's target audience, the media, relevant trade media, and other opinion leaders. Common responsibilities include designing communications campaigns, writing press releases and other content for news, working with the press, arranging interviews for company spokespeople, writing speeches for company leaders, acting as an organization's spokesperson, preparing clients for press conferences, media interviews and speeches, writing website and social media content, managing company reputation (crisis management), managing internal communications, and marketing activities like brand awareness and event management. Success in the field of public relations requires a deep understanding of the interests and concerns of each of the company's many stakeholders. Public-relations professionals must know how to effectively address those concerns using the most powerful tool of the public relations trade, which is publicity.

Features of Public-Relations

1. **Securing Cooperation of Public:** Public relation is an activity to get support from public. Every organisation wants to run successfully. For this, public (i.e., all concerned people such as consumers, employees, shareholders and society) support is essential or needed. And the support of public can be earned through Public-Relations.

2. **Successful relation with Public:** Sometimes people develop negative attitude towards any company. This attitude could be changed by establishing public relations which help in developing better relations with public.

3. **Satisfying different Groups:** Public relation is an effort to satisfy different groups (like- consumers, employees, shareholders and society). For example, with the help of public relation, the expectation of any particular group is acknowledged. The group is tried to satisfy by most possibly meeting their expectations.

4. **Engaging in Dialogue:** Every organisation wishes to enjoy goodwill among all related protagonists. For establishing good reputation, it is essential to engage in dialogue (i.e., exchange of ideas). During the dialogue, organisation provides information and this is possible only through Public-Relations.

5. **Ongoing Activity:** This is an effort which has to be repeated again and again. For example, to keep the employees satisfied, meetings must be arranged with them from time to time.

6. **Specialized Activity:** Public relation is recognised in the form of a specialized activity. For example, like-the other activities (purchase, production, sale, finance, marketing, etc.) in a business organisation, Public relation activity is also performed under the same series of activities. This is the reason why all big organisations establish Public-Relations Department separately.

7.7 ADVERTISING BUDGET

Once the marketer is clear about its advertising objectives, another critical decision he needs to take is allocating the advertising budget. Advertising budget is the amount of money allocated by a firm for its advertising campaigns for a specific period of time. It is strongly believed by most marketers that advertising creates demand and that is why a marketer considers ad spend is an investment and not an expenditure. That is why every marketer is willingly ready to spare a certain part of their profits to be spent on advertising. The important question then is how much amount to spend. The process of deciding this amount to be spent on advertising is what we know is advertising budgeting. It is a fact that it is very difficult to quantify precisely how much amount of advertising would result in to what number of profits. With the help of research and measuring the effectiveness of advertising it may be possible for an advertiser to judge what budget should be allotted for advertising, but there is no such formula which can assure a precise number of returns or profits by spending a certain amount on advertising. This is why a marketer needs to understand and evaluate various factors before he takes this decision regarding the advertising budget.

Factors affecting advertising budgets

1. **Stage in the product life-cycle:** New-products typically require large advertising budgets as their awareness in the market is relatively lesser. One can see marketers spending large amounts when a product is in its introduction or in the growth stage; these are the stages of a product life-cycle when a marketer usually doesn't intend to earn a lot out of the product but thinks to improve the demand and the market share for the product. Advertising can do this very well. The healthier the introduction and growth stages are of a product; the healthier will be the maturity stage which will consequently give healthy returns to the market. In the maturity stage products normally have an established brand image and market share. The maturity stage normally is a stage in the product life-cycle when a marketer intends to earn and so he will try to keep most of the costs as low as possible including advertising cost.

2. **Market share and consumer base:** Usually products with high market share require less advertising expenditures as a percentage of sales to maintain their share. Products having a large consumer base usually are well-known in the market and enjoy good brand equity. Spending very large amounts on such products may not enhance its demand for market share in a big way and that is why most marketers owning well-known brands prefer to allot smaller advertising budgets. As against this marketer for a product which has a small market share or consumer base would have to spend larger advertising budgets to make up for the small market share and to stand the other large competitors in the market.

3. **The intensity of competition:** In an industry where a large number of competitors prevail, a marketer needs to spend large amounts on advertising to stand the competition. In a market where high competition prevails the customers recall about the various brandsavailable in the market becomes less and distributed and so continues advertising will help the consumer remember the product while making the purchase. Most of these are better known as reminder ads.

4. **Advertising frequency:** For new products entering the market, or a market

with a high intensity of competition, or when a product is in its peak season in case of seasonal products the frequency of advertising needs to be high. The higher the frequency of advertising the higher will be the ad budget.

5. **Product substitutability:** A product surviving in a highly competitive market requires heavy advertising. Similarly, a product which has a high substitution rate also requires heavy advertising. Substitutes are all those products which belong to a different product class that can satisfy the same needs. In a market where there are many alternatives products or substitutes available to satisfy the same need, the marketer of a particular product will have to advertise heavily to safeguard is market share and to nullify the substitution effect prevalent.

7.7.1 Methods to Set Advertising Budgets

Advertisement spending differs from market to market, situation to situation, product to product and even from one marketer to another. Keeping the above factors affecting advertising budgets in mind marketers have developed several methods for setting advertising budgets. Some such methods for deciding the advertising budgets have been discussed below:

1. **Adaptive control method:** This is the method proposed by Prof. John Little. According to this method, the marketer divides his market into small sections. These sections have to be more or less similar to each other. A certain amount of advertising budget is decided for each of the sections except two. Out of these two sections left out, in one the marketer spends lesser than the budget decided and in the other section that is left out he spends an amount larger than the budget decided. Now the marketer has one section with a low advertising budget, a few sections with moderate advertising budgets and one section with a high advertising budget. After a certain time, he then measures the sales response in each of these sections. A comparison between the sales of each of these sections will help the market decide what effect the advertising campaign has had on each of the sections. This will help the marketer compare the sales response received with high, moderate and low advertising budgets. This will leave the marketer in a very good position to judge advertising budgets in the future.

2. **Objective and task method:** This is one of the most rational methods of setting advertising budgets. There are no marketing activities that are directionless. It means a marketer always sets certain advertising objectives to be achieved and defines the advertising tasks that will have to be performed to achieve those objectives. According to this method of budgeting, the marketer needs to estimate the total cost that will help to be incurred in carrying out each of these advertising activities or tasks to achieve the objectives. A sum total of all the estimated expenditure required to be incurred to carryout each of the advertising tasks becomes the advertising budget.

3. **Percentage of sales method:** This is again a very common method of setting advertising budgets used by marketers. As the name itself suggests, a certain percentage of the sales is set aside as an advertising budget. There are two

approaches to set the budget according to this method; one, setting an advertising budget as a percentage of the sales of the previous year. And secondly, setting an advertising budget as a percentage of sales predicted for the year to come. The first approach is a little risky because all the events that happened in the previous year to attain a certain sales figure may not happen in the current year and so setting a budget according to previous year's sales figures is not totally reliable. Though of course even in the second approach the advertiser will have to be a little cautious, because the advertising budget would be set according to the predicted sales figures. If the predictions go wrong, the advertising budget can bite the marketer. While following this approach, the marketer must carefully analyse all the factors that affect sales, particularly the internal and external environmental variables that are likely to affect sales. A proper analysis of the existing and potential competition should also be done, as it can also directly affect the sales of the company.

4. **Affordability method:** This is the method used more by marketers where advertising is not considered among the most important functions of marketing. Here, the marketer allocates funds to all the different activities that he wants to carry out and the remaining amount is located for advertising. The advertising expenditure according to this method never bites a marketer, as he only allocates the remainder funds of his entire budget. The lesser the amount available after allocating all the other marketing expenditures, the lesserwill be the advertising budget. The **disadvantage** with this method is that in times of recession, there will be very little remainder funds for advertising, which will shrink the advertising budget and consequently may result in to lesser sales in the time to come. Although this is a method of choice for many small companies, the results are neither predictable nor sustainable.

5. **Competitive parity method:** A lot of times companies tend to set advertising budgets in comparison with the competitors' advertising budgets. These budgets may match the competitors budgets in terms of the advertising spend is done in rupees or as a percentage of sales. This method of budgeting is based on the assumption that, if a company follows this method, it is making use of the collective knowledge of the entire industry and are setting a budget in accordance with the other players in the industry. However, there is a **disadvantage** associated with this method of budgeting, as the objectives of the competitors and the resources available with the competitors may not be the same as the company. If a company ignorantly uses this method of ad budgeting, it might land up spending too much or too little on advertising. Secondly, the effectiveness of advertising for two companies may not be the same. Normally when a company uses this method of budgeting, it takes into account the ad budget of the competitors of the previous year or sometime in the past. By the time a marketer comes to know of the expenditures made by the competitors for advertising and decides upon his own budget there is a time gap and by then the competitors would have already reaped the benefits of the ads spend and would be onto a new advertising strategy for the future course of time.

6. **Expert opinion method:** This method is not only used to budget ad expenditures but universally also used for planning various management and marketing activities. Here, either one or a few experts are brought together, then they are made to analyse the situation the company is in and after

analysing the entire scenario the experts will give their opinion about what the advertising budgets should be. The experts here are normally people with enough experience in the industry and are in a position to predict the future course. The experts will have to interact with the employees of the company to get an exact idea ofthe position of the company, its objectives, its financial condition, etc. they will then have to analyse the market position of the company or its products and after making a proper estimation of all these facts the expert opines upon what the advertising budget of the company should be.

7.8 ADVERTISING MEDIA SELECTION

There are many mediums that can be used for advertising. Commercial advertising media can include wall paintings, billboards, street furniture components, printed flyers and rack cards, radio, cinema and television advertising, web banners, mobile telephone screens, shopping carts, web popup, skywriting, sponsor printed kites during kite flying festivals, boundary sides and boundary ropes of cricket grounds, bus stop benches, human billboards, magazines, newspapers, town criers, banners hung alongside animals like elephants and camels, sides of buses, banners or posters behind auto-rickshaws, banners attached to or sides of airplanes (‘logo jets’), in-flight advertisements on seatback tray tables or overhead storage bins, taxicab doors, roof mounts and passenger screens, musical stage shows, subway platforms and trains, elastic bands on disposable diapers, disposable tea cups, doors of bathroom stalls, stickers on apples in supermarkets, shopping cart handles, the opening section of streaming audio and video, posters, and the backs of event tickets and supermarket receipts. Any place an ‘identified’ sponsor pays to deliver their message through a medium is advertising. Advertising is a creative field and advertisers are innovative people and so they continuously keep finding innovative ways and means to advertise. Depending on the people, the place and the product to be advertised the above list of media can still get longer. Some of these means of advertising are an organised industry while there are many which fall under the unorganised sector.

As the options available for advertising to an advertiser are many, his job gets that much tougher. Most marketing activities are budgeted and no matter how large a company is it will still have to remain within certain budgetary limits for carrying out its communication and advertising goals. It may not be possible for an advertiser to make use of all the media for advertising or all the time and space available for advertising. Hence, no matter how large a budget an advertiser has, he will still have to be selective in deciding what media to advertise in.

Factors Affecting the Selection of Media

Every advertiser has a specific target audience, a specific geographic area to advertise, a specific product which is to be advertised and a specific marketing goal to be achieved. Owing to these factors, an advertiser needs to be specific in his choice of media that he will use for his advertising campaigns. Some of the factors that influence the decision process of an advertiser in selecting the specific media for advertising his products have been discussed below:

1. **Objective of the firm:** Every company defines the objectives that it wishes to achieve through an advertising campaign. These objectives may again differ from new products toexisting products, from one geographical area to another, from one set target audience to another and so on. For a new product the objective of the company may be just to create awareness, for an existing product it may be to create brand value, for some products advertising is only done to remind the consumer about the existence of the product. Since the capacity of every media is different and the objectives of a firm can be many, the choice of media to be used by the advertiser may vary with the varying objectives.

2. **The spending capacity of the advertiser:** As we know that advertising through mass media is an expensive affair and if an advertiser tries to advertise through every medium available in might land up making losses. This is why every advertiser sets a specific budget for his media spending. His selection of the media will depend upon the amount ofbudget you set aside for advertising. For example, advertising on television may give the advertiser a large coverage but it can cost large as well. Hence depending on the affordability of an advertiser he makes his choice of media.

3. **The number of people the message needs to be reached:** Another important factor that an advertiser looks into before he decides upon the advertising media to be used is the number of people he wants to reach with the advertisement. For example, if he wishes to advertise to the entire country probably any one of the national TV channels is a good option, if a wishes to reach only the local audience probably an advertisement in a local newspaper (in local language) is a good option.

4. **The type of customers to be reached:** Some companies have very specific clientele. Such companies normally prefer to advertise only to their clients and not to the general public at large. For example, a pharmaceutical company wanting to advertise an antibiotic would only prefer to advertise to doctors and not the general public, in such a case the company would rather prefer to advertise in a medical journal which is read by doctors then advertising on the television in between TV serials. Hence, the type of customers that an advertiser is trying to reach will also be an important factor in his decision of choosing an advertising media.

5. **The coverage of the medium:** Every medium has a different coverage; a local newspaperin a vernacular language would only have a local coverage limited to a city or an area, while an advertisement in an internationally well-known website like Google would cover the entire globe. A cable TV channel will cover a particular area in the city while a national TV channel will cover the entire country. A hoarding it a popular spot in a metropolitan city will be seen by lakhs of people every day while a wall painting outside the village will be seen by a few hundred. Depending on the specific requirements of an advertiser he will choose the medium to advertise his product.

6. **The credibility and image of the medium:** In India, the public is quite influenced by advertising. Any product that is advertised on a medium which hasa national or international coverage is presumed to enhance the brand value

of the product. Advertising in newspapers such as *The Times of India* and *The Indian Express* or on national television channels featuring important programs or cricket matches, or on webpages of Google or Facebook, it is presumed to enhance the brand value of a product. Since most of these mediums carry a strong credibility themselves, advertising done through these mediums will automatically spill over the credibility to the product. Hence, an advertiser wishing to develop a strong brand image will prefer to use such mediums for advertising which themselves have a strong credibility.

7.9 TYPES OF MEDIA

Advertisers have a wide variety of advertising media to choose from. The potential of the various media could be at local, state, national or even international levels. But before an advertiser to plan and decide which media to choose or not to choose it is important for himto have complete knowledge about each and every media. Some such media and their pros and cons have been discussed below:

Print Media

As the name suggests, it is a printed form of publicity or advertising. It is one of the more popular methods of advertising. Print media is considered to be one of the more traditional mediums. It includes newspapers, magazines, journals, directories, etc.

1. **Newspapers:** Newspapers are one of the most traditional means of getting news. This is why probably it has a very deep penetration among the people. The popularity of newspaper is universal, that is in developed as well as underdeveloped countries. Even in the rural areas, newspapers are of great importance. For a majority of the population reading newspapers is a habit and that is why it has become one of the more popular means of advertising for most marketers. For a larger section of the population in India, newspapers are a major source of information and the news about what is going on in the rest of the world. Even the government identifies newspapers as an essential commodity required by citizens in routine life.

2. **Magazines, Journals and Periodicals:** Like newspapers, magazines are also a strong print medium. One of the advantages that magazines have over newspapers is that their life is longer than a newspaper and most times magazines are read more carefully and in detail compared to a newspaper. Unlike newspapers, magazines are not read by the general population at large, rather they are geography and content specific . Most magazines are specific to certain subject areas such as financial magazines, sports magazines, film magazines, etc. This shrinks its readership. Magazines may be weekly, fortnightly, monthly or even quarterly published.

3. **Directories:** Usually directories are a collection of names and addresses. One of the mostcommon forms of a directory in India is the directory printed by the Telecom Department containing the phone numbers and addresses of people who have telephone connections of BSNL. Many other organisations and

associations also have their own directories printed.

4. **Flyers:** Flyers or pamphlets are other very popular means for advertising particularly at local levels. It is a printed piece of paper which is distributed among the target audience. There are two popular means of distributing flyers in India; one is personal distribution wherein a person may choose a popular and populated spot and these pamphlets may be personally handed over to the target audience by the person distributing it or they may prefer to go door-to-door to distribute them. The second popular method of distributing flyers is attaching them to newspapers. So, when a person opens a newspaper, he finds the flyer in it.

Broadcast Media

The broadcast media mainly includes television and radio. These mediums are also known as the audiovisual mediums. They are among the most popular means of advertising and they are perceived to add a lot of brand value to the product being advertised on it. Most marketers consider it prestigious to advertise their products on radio and television. Though these means of advertising can be an expensive affair, as the timeslots available on these mediums for advertising are pretty expensive to book.

Television: Advertising on televisions has always been an issue of prestige for most marketers across the globe. Products being advertised on television have always been able to gain strong brand image. Advertising on television at national levels is frightfully expensive, but now with the availability of television channels at regional and local level, advertising on TV has become much more cost-effective.

1. **Infomercials:** An infomercial is a long-format television commercial, typically five minutes or longer. The word ‘infomercial’ is a made from the words ‘information’ and ‘commercial’. The main objective in an infomercial is to create an impulse purchase, so that the consumer sees the presentation or demonstration and then immediately buys the product through the advertised toll-free telephone number or website. The infomercials on televisions normally feature during the off-peak hours, that is, the late-night timeslot or the early morning timeslot or the mid-afternoon timeslot as they are at affordable rates.

2. **Radio:** As we have discussed above radio broadcast traditionally was not a popular medium for advertising among advertisers. But with the privatisation of the radio broadcast industry, a new life has flown into the industry. The private FM radio channels have been successful in attracting millions of listeners. Radios these days have also become highly interactive with the general public, as we see many RJ's (radio jockeys) interacting with the general public on phone when they are on air. This helps the people in relating to the FM channels or personally and subsequently making FM radio popular medium among the people.

3. **Cinemas:** Advertising in cinema halls in between the movies particularly

during the interval time has been a popular format of advertising since a very long time. Since it is limited to a cinema hall, the advertisements can only be featured to people who come to watch a movie in a particular cinema hall. It is majorly done at local levels.

Outdoor media

Almost all of us are out on the road some time of the day for some or the other reason. This gives an advertiser an opportunity to expose us to advertisements of products and services outside our homes or workplaces and because it is outdoors it is known as outdoor media oris it is also called mural media. Advertisers use hoardings, billboards, signage, wall paintings, banners etc. at geographically identified locations to communicate a marketer’s message in order to capture customers' attention. Many marketers like hotels, restaurants, academic institutions, banks, insurance companies, cold drink companies, etc. use these media foradvertising. Some of the outdoor advertising media have been discussed below:

1. **Hoardings:** Hoardings are large signboards placed at popular locations like traffic signals, bus stops, alongside highly trafficked roads, outside schools and colleges, outsider on top of suitably located building structures, etc. And most of the times they aremanaged by local advertising agencies.
2. **Billboards:** Billboards are smaller versions of hoardings. They are almost used in the same way and at very similar locations as hoardings. One of the more popular spots for using billboards is light poles. The light poles erected by the municipalities on road dividers or footpaths can be used for hanging these billboards which may be as big as 2 to 3 feet in length and breadth.
3. **Kiosks:** one of the forms of kiosks is small foldable tents or canopies set up alongside roads to advertise the product. A lot of companies also prefer to have a person seated in the kiosk who will distribute information about the company's products through oral enquiry or pamphlets.**Neon signs:** neon signs are made of neon tube lights used for advertising. Words arewritten with neon tubes and are placed on boards on buildings.

Internet

It is one of the newest forms of advertising products. Internet or online advertising as it is alsocalled is gaining great importance nowadays. A marketer can advertise on the Internet by creating his own website or by putting up ad banners, product pictures, links, scrolls, flash messages, etc. on popular webpages like Google, Facebook, Yahoo, etc. These advertising messages then can further be linked to the marketers website. This means that an Internet surfer can reach the message of an advertiser through many ways. One strong advantage of Internet advertising is that it is possible to track the number of viewers of the ad, which is not possible with any other medium of advertising. With the availability of advanced technologies and software, it is possible to make advertisements on the Internet very attractive.

Social Media

One of the mediums that has taken the world by storm these days is social media.

Social media these days has become a huge opportunity for advertisers to utilise for advertising purposes. The wings off social media spreads, not only on computers, but now also on mobiles with social networking applications like WhatsApp, etc. Uploading text, videos, photos, banners, jokes and riddles, etc. Have these days become a very common practice among the advertisers. A lot of times these messages in whatever form they are tend to go viral over the social media. For example, general elections in India 2014 onwards, various advertising material from different political parties are floating on social networks in the form of jokes, clippings, photos, videos, animations, etc. Social media was extensively used for publicity purposes by the political parties.
Kaplan and Haenlein classified social media in seven different types in their article *Business Horizons* (2010):

1. Collaborative projects (for example, Wikipedia)
2. Blogs and micro-blogs (for example, Twitter)
3. Social news networking sites (for example, Digg and Leakernet)
4. Content communities (for example, YouTube and DailyMotion)
5. Social networking sites (for example, Facebook and WhatsApp on mobiles)
6. Virtual game-worlds (for example *World of Warcraft*)
7. Virtual social worlds (for example, *Second Life*)

Product Placements

Product placement is an advertising approach in which advertisers intentionally include products into entertainment programmes such as movies, TV programs and videogames. Actors in the programme or movies use the products of a particular brand which is prominently visible, advertisers pay money to the program or moviemakers to do so. On the face of it, it may look like a casual act but it is intentionally done to advertise the product or brand. For example, in the movie *Minority Report*, where Tom Cruise owns a phone with the *Nokia* logo clearly written in the top corner, or his watch engraved with the *Bulgari* logo, or in the game show *Kaun Banega Crorepati,* Amitabh Bachchan uses a *Lenovo* computer where the brand name is very prominently visible or he signs cheques to the winners of *Axis Bank*. Another example is the use of *Ford*, *BMW* and *Aston Martin* cars and *Omega* Watches by *James Bond*. The *Hritik Roshan* movie *Jindagi Na Milegi Dobara* was shot in Spain showing various tourist spots and festivals of Spain; it was strongly supported by the Spanish government to promote Spain tourism. Many companies provide free sportswear, sunglasses, etc. to cricketers to be worn during cricket matches. These are all examples of product placements. The biggest advantage with product placements is that most viewers are not aware that the product is intentionally being advertised and consequently tend to develop a sense of trust and prestige for the product as they see their favourite movie stars or sports stars using an mentioning the products. This form of advertising in India is gaining great importance these days as we have a very large number of people who are celebrity followers.

7.10 MEASURING ADVERTISING EFFECTIVENESS

The managerial responsibility in the area of advertising does not come to an end with the execution of an advertising programme. Any sound managerial effort is finally interested in goal attainment and so it must always be ready to evaluate the results.

Evaluation of advertising or advertising effectiveness refers to the managerial exercise aimed at relating the advertising results to the established standard of performance and objectives so as to assess the real value of the advertising performance.

This evaluation exercise is also known as advertising research. It is an attempt to know whether the message is designed properly and has reached the greatest number of prospects atthe least possible cost.

It is an attempt to measure whether the time, talent and the resources invested in the creative activity has resulted in attaining the goals of profit maximization to the advertisement sponsor and satisfaction to the consumers at large.

What is to be measured?

It is quite obvious that in the area of ad effectiveness evaluation, the advertiser is to measure the ad effectiveness.

However, we must first clear as to what is „ad effectiveness‟?

Ad effectiveness evaluation is a research activity and by its very nature, it is to establish the cause-and-effect relation between the efforts and the results. This ad effectiveness is to be seen in five areas namely, markets, motives, messages, media and overall results.

In each area, one is to look in for the advertising ability and the achievements in the light of preset objectives. Advertising testing is indispensable because, it enables to get down to the facts and to decide what exactly is required in an ad and what is not. A good amount of the ad expenditure is largely believed to be wasted, but it’s very difficult for an advertiser to differentiate between the good and the wasted expenditure. Advertising effectiveness study usually tries to segregate the sheep from goats, the winning ideas from the duds, to multiply the results from the rupee investments so made.

When to test?

Testing of ad effectiveness is possible at any stage of advertising process. It can be done before the advertising campaign begins or during its run or after the campaign is fully run. Pre-testing gives the maximum safety because not much is still lost. Concurrent testing is usually done when the advertising campaign is in progress; it makes the advertiser lose a little as the advertising process has begun by that time. Post-testing results in maximum loss if it fails and the advertiser gets the post- mortem report as to what has happened.

How to test?

Fortunately, advertising has a wide range of testing techniques or the methods to choose for evaluation purpose. What methods or techniques the advertiser is going to use depends on when one is going to measure the ad effectiveness.
Accordingly, there can be three sets of methods to meet one’s needs, namely, pre-

testing, concurrent testing and post-testing methods.

I. Pre-testing methods:

1. Check-list test:

A check-list is a list of good qualities to be possessed by an effective advertisement. A typical check-list provides rating scale or basis for ranking the ads in terms of the characteristics.
These characteristics may be honesty, attention getting, readability, reliability, convincing ability, selling ability and the like. The ad that gets highest score is considered as the best.

2. Opinion test or consumer jury test:

Opinion test or consumer jury test is one that obtains the preference of a sample group of typical prospective consumers of the product or the service for an ad or part of it. The members of the jury rate the ads as to their head-lines, themes, illustrations, slogans, by direct comparison.

Getting preference from a juror is better than getting it from a member of general public or an ad expert. Jury's preference is arrived at by seeking answers to the questions as to, which ad was seen first? Which was most convincing? Which was most interesting? Andso on. Accordingly, the top-ranking ad gets selected.

3. Dummy magazine and port-folio test:

Dummy magazines are used to pre-test the ads under conditions of approximation resembling normal exposure. A dummy magazine contains standard editorial material, control ads that have been already tested and the ads to be tested. The sample households receive these magazines and the interviews are conducted to determine recall scores.

Portfolio test is like that of dummy magazine test except that the test ads are placed in a folder that contains control ads. The respondents are given these folders for their reading and reactions. The test scores are determined in the interview. The ad with highest score is taken as the best.

4. Inquiry test:

It involves running two or more ads on a limited scale to determine which is most effective in terms of maximum inquiries for the offers made. These inquiry tests are used exclusively to test copy appeals, copies, illustrations, and other components.

Any of these elements may be checked. The point that is to be checked is changed and allother components are unaltered, to get the score.

5. Mechanical tests:

These mechanical tests are objective in nature unlike the one already explained.

These help to provide good measures as to how respondent's eyes and emotions are reaching a given advertisement.

The most widely used mechanical devices are:

1. Eye Movement Camera (An eye tracker is a device for measuring eye positions and eye movement.)
2. Perceptoscope (The perceptoscope is an augmented reality device for fixed locations.)
3. Psycho-galvanometer (A device that makes psycho galvanic measurements typicallyof the skin)
4. Tachistoscope (an instrument used for exposing objects to the eye for a very briefmeasured period of time.)

II. Concurrent Testing Methods:

1. Co-incidental surveys:

This is called coincidental telephone method also whereby a sample of households is selected; calls are made during the time of programme broadcast, the respondents are asked whether their radio or television is on, and if so, to what station or programme it is tuned? The results of the survey are used to determine the share of response for the advertisement or the programme.

2. Consumer diaries:

This method involves giving diaries to a select set of families or all the members of the families. The select families and individual respondents are asked to record the details about the programmes they listen to or view. The diaries are collected periodically to determine the scores.

3. Mechanical devices:

The mechanical devices used to measure the ad differences concurrently are morecommon to broadcast media.

These are:

1. Audio meters
2. Psycho galvanometer
3. Tachistoscope and

4. Traffic counts:

Traffic counts are of special applicability to outdoor advertising. One can get good deal of information through traffic counts. This counting is done by independent organisationsmay be private or public. This work is also undertaken by advertising agencies. For instance, how many automobiles and other vehicles were exposed to a bulletin board or a poster or a wall painting and how many times? Can be determined.

III. Post-testing methods:

1. Inquiry tests:

It is a controlled experiment conducted in the field. In the inquiry test, a number of consumer inquiries produced by an advertising copy or medium is considered so as to the measure its communication effectiveness.

Therefore, the number of inquiries is the test of effectiveness which can be produced only when the ad copy or the medium succeeds in attracting and retaining the attention of the reader or viewer. To encourage inquiries, the advertiser offers to send something complimentary to the reader or the viewer, if he or she replies.

2. Split-run test:

A split-run test is a technique that makes possible testing of two or more ads in the same position, publication, issued with a guarantee of each ad reaching a comparable group of readers. It is an improvement over the inquiry test in that the ad copy is split into elements like appeal, layout, headline and so on. Here also, the readers are encouraged to reply the inquiries to the keyed or the given address.

3. Recognition tests:

Recognition is a matter of identifying something as having seen or heard before. It is based on the memory of the respondent. It attempts to measure the ad effectiveness by determining the number of respondents who have read or seen the ads before. To arrive at the results, readership or listenership surveys are conducted.

4. Recall tests:

Recalling is more demanding than recognizing as a test of memory. It involves respondents to answer about what they have read, seen or heard without allowing them to look at or listen to the ad while they are answering.
There are several variations of this test. One such test is Triple Association Test which is designed to test copy themes or the slogans and reveals the extent to which they have remembered.

5. Sales tests:

Sales tests represent controlled experiment under which actual field conditions than the simulated are faced. It attempts to establish a direct relationship between one or more variables and sales of a product or service. It facilitates testing of one ad against another and one medium against another.

To sum-up, ad effectiveness testing is a must to avoid costly mistakes, to select the best alternative from the apparently equal alternatives, to resolve the differences of opinion and to add to the store of knowledge having deep bearing on advertising effectiveness and efficiency.

7.11 SALES PROMOTION TOOLS

Advertising is joined by two other mass-promotion tools-sales promotion and public relations. Sales promotion consists of short-term incentives to encourage purchase or sales of a product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy now. Examples are found -everywhere. A freestanding insert in the Sunday newspaper contains a coupon offering 50% discount. The end-of-the-aisle display in the local supermarket tempts impulse buyers with a wall of Coke cartons. An executive buys a new Compaq laptop computer and gets a free carrying case, or a family buys a new car and receives a rebate. A hardware store chain receives a 10 percent discount on selected Black & Decker portable power tools if it agrees to advertise them in local newspapers. Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response.

Sales-promotion tools are used by most organizations, including manufacturers, distributors, retailers, trade associations, and non-profit institutions. They are targeted toward final buyers (consumer promotions), business customers (business promotions), retailers and wholesalers (trade promotions), and members of the sales force (sales force promotions). Today, in many consumer packaged-goods companies, sales promotion accounts for 75 percent or more of all marketing expenditures. Sales-promotion expenditures have been increasing by 12 percent annually, compared with advertising's increase of only 7.6 percentage Many tools can be used to accomplish sales-promotion objectives. Descriptions of the main consumer- promotion and trade-promotion tools are as follows:

7.12 CONSUMER-PROMOTION TOOLS

The main consumer-promotion tools include samples, coupons, cash refunds, price packs, premiums, advertising specialties, patronage rewards, point-of-purchase displays and demonstrations, and contests, sweepstakes, and games.

1. **Samples** are offers of a trial amount of a product. Some samples are free; for others, the company charges a small amount to offset its cost. The sample might be delivered door to door, sent by mail, handed out in a store, attached to another product, or featured in an ad. Sampling is the most effective-but most expensive-way to introduce a new product. Sometimes, samples are combined into sample packs, which can then be used to promote other products and services.

2. **Coupons** are certificates that give buyers a saving when they purchase specified products. Coupons can stimulate sales of a mature brand or promote early trial of a new brand. As a result of coupon clutter, redemption rates have been declining in recent years. Thus, major consumer goods companies, led by Procter & Gamble, are issuing fewer coupons and targeting them more carefully. In the past, marketers have relied almost solely on mass-distributed coupons delivered through the mail or on freestanding inserts or ads in

newspapers and magazines. Today, however, they're increasingly distributing coupons through shelf dispensers at the point of sale, by electronic point-of-sale coupon printers, or through "paperless coupon systems," which dispense personalized discounts to targeted buyers at the checkout counter in stores.

3. **Cash refund offers (or rebates)** are like coupons except that the price reduction occurs after the purchase rather than at the retail outlet. The consumer sends a ‘proof of purchase’ to the manufacturer who then refunds part of the purchase price by mail.

4. **Price packs** (also called **cents-off deals**) offer consumers savings off the regular price of a product. The reduced prices are marked by the producer directly on the label or package. Price packs can be single packages sold at a reduced price (such as two for the price of one), or two related products banded together (such as a toothbrush and toothpaste). Price packs are very effective-even more so than coupons-in stimulating short-term sales.

5. **Premiums** are goods offered either free or at low cost as an incentive to buy a product. A premium may come inside the package (in-pack), outside the package (on-pack), or through the mail. If reusable, the package itself may serve as a premium-such as a decorative tin.

6. **Advertising specialties** are useful articles imprinted with an advertiser’s name given as gifts to consumers. Typical items include pens, calendars, key rings, matches, shopping bags, T-shirts, caps, nail files, and coffee mugs.

7. **Patronage** rewards are cash or other awards offered for the regular use of a certain company's products or services. For example, airlines offer "frequent flier plans," awarding points for miles travelled that can be turned in for free airline trips. Marriott Hotels has adopted an "honoured guest" plan that awards points to users of their hotels. Baskin-Robbins offers frequent purchase awards-for every 10 purchases, customer'sreceive a free quart of ice cream.

8. **Point-of-purchase (POP) promotions** include displays and demonstrations that take place at the point of purchase or sale. Unfortunately, many retailers do not like to handle the hundreds of displays, signs, and posters they receive from manufacturers each year. Manufacturers have responded by offering better POP materials, tying them in with television or print messages, and offering to set them up.

9. **Contests**, **sweepstakes**, and **games** give consumers the chance to win something, such as cash, trips, or goods, by luck or through extra effort. A contest calls for consumers to submit an entry - a jingle, guess, suggestion-to be judged by a panel that will select the best entries. A sales contest urges dealers or the sales force to increase their efforts, with prizes going to the top performers.

TRADE-PROMOTION TOOLS

More sales-promotion benefits are directed to retailers and wholesalers (69 percent) than to consumers (31 percent). Trade promotion can persuade retailers or wholesalers to carry a brand, give it shelf space, promote it in advertising, and push it to consumers. Shelf space is so scarce these days that manufacturers often have to offer price-offs, allowances, buy-back guarantees, or free goods to retailers and wholesalers to get products on the shelf and, once there, to stay on it.

Manufacturers use several trade-promotion tools. Many of the tools used for consumer promotions-contests, premiums, displays can also be used as trade promotions. Or the manufacturer may offer a straight discount off the list price on each case purchased during a stated period of time (also called a price-off or off-invoice, or off-list). The offer encourages dealers to buy in quantity or to carry a new item. Dealers can use the discount for immediate profit, for advertising, or for price reductions to their customers.

Manufacturers also may offer an allowance (usually so much off per case) in return for the retailer's agreement to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the product. A display allowance compensates them for using special displays.

Manufacturers may offer free goods, which are extra cases of merchandise, to resellers who buy a certain quantity or who feature a certain flavour or size. They may offer push money-cash or gifts to dealers or their sales force to "push" the manufacturer's goods. Manufacturers may give retailers free specialty advertising items that carry the company's name, such as pens, pencils, calendars, paperweights, matchbooks, memo pads, ashtrays, and yardsticks.

BUSINESS-PROMOTION TOOLS

Companies spend billions of dollars each year on promotion to industrial customers. These business promotions are used to generate business leads, stimulate purchases, reward customers, and motivate salespeople. Business promotion includes many of the same tools used for consumer or trade promotions. Here, we focus on two major business-promotion tools -conventions and trade shows, and sales contests.

Many companies and trade associations organize conventions and trade shows to promote their products. Firms selling to the industry show their products at the trade show. More than 4,300 trade shows take place in the United States every year, drawing as many as 85 million people. Vendors receive many benefits, such as opportunities to find new sales leads, contact customers, introduce new products, meet new customers, sell more to present customers, and educate customers with publications and audiovisual materials. Trade shows also help companies reach many prospects not reached through their sales forces. About 90 percent ofa trade show's visitors see a company's salespeople for the first time at the show. Business marketers may spend as much as 35 percent of their annual promotion budgets on trade shows.

A sales contest is a contest for salespeople or dealers to motivate them to increase their sales performance over a given period. Sales contests motivate and recognize good company performers, who may receive trips, cash prizes, or other gifts. Some companies award points for performance, which the receiver can turn in for any of a variety of prizes. Sales contests work best when they are tied to measurable and achievable sales objectives (such as finding new accounts, reviving old accounts, or increasing account profitability).

❖ CHECK YOUR PROGRESS

- **Descriptive questions**

1. Explain the communication process and the role it plays in market promotions.
2. What is promotion mix? Explain briefly the elements of promotion mix.
3. Discuss methods of preparing an advertising budget.
4. Discuss the factors affecting advertising budget.
5. Discuss the various factors affecting the choice of media.
6. Define the various print and outdoor media of advertising.
7. How do you measure the effectiveness advertising?
8. Explain the various methods used to measure advertising effectiveness, before and after anadvertising campaign.
9. What is sales promotion? Explain the different tools of trade and business sales promotion.
10. Discuss the different consumer sales promotion tools.

- **Short Questions**

1. Define the importance of market promotions.
2. Communication process.
3. Define personal selling and its features.
4. Define publicity and different types of publicity.
5. Explain the features of public relations
6. Social media as advertising medium.
7. Product placements.
8. Concurrent testing methods to test Ad effectiveness.
9. Trade promotion tools.
10. Business promotion tools.

- **MCQs**

1. The following is an element of market promotion.

a) Advertising
b) Segmentation
c) Pricing
d) Distribution

2. In a communication process, what is done before a message is transmitted to thereceiver?

a) Sending
b) Coding
c) Decoding
d) Receiving

3. Which type of promotional tool is used to communicate information about the companyor the product without any payment being made?

a) Advertising
b) Publicity
c) Sales Promotion
d) Personal Selling

4. Publicity and public-relations are important functions of…..

a) Product mix
b) Pricing mix
c) Promotion mix
d) Place mix

5. Personal selling is the best means of…..

a) One way communication
b) Two way communication
c) Three way communication
d) None of these

6. Several methods are used by companies to set an advertising budget such as affordability method, percentage of sales method, etc. Among these, which method is foolproof?

a) Percentage of sales method
b) Affordability method
c) Objective and task method
d) None of the above

7. In one of the methods of setting an advertising budget, a company allocates funds for advertising budget from the money left over after allocating all other expenses. What is this method called?

a) Percentage of sales method
b) Competitive parity method
c) Affordability method
d) Objective and task method

8. Which of the following is an objective of advertising?

a) To inform
b) to persuade
c) to remind
d) all the above

9. Vehicles through which advertisers communicate their message to

prospective customersto influence their buying behaviour are called...

a) Advertising message
b) Advertising copy
c) Advertising budget
d) Advertising media

10. It is the amount of money a company plans to spend on advertising.

a) Advertising message
b) Advertising copy
c) Advertising budget
d) Advertising media

11. Which of the following is an example of print media?

a) Billboards
b) Newspapers
c) Infomercials
d) Links

12. Which of the following is an example of broadcast media?

a) Billboards
b) Newspapers
c) Infomercials
d) Links

13. Which of the following is an example of outdoor media?

a) Billboards
b) Newspapers
c) Infomercials
d) Links

14. Which of the following is an example of Internet media?

a) Billboards
b) Newspapers
c) Infomercials
d) Links

15. A specialist publisher wants to reach new customers overseas. Which is the suitable formof promotion?

a) Sales promotion.
b) Online advertising.
c) Newspaper advertising.
d) Radio advertising.

16. Which of the following is not a sales promotion tool?

a) Coupons

b) Contests
c) Premiums
d) News articles

- **MCQ Answer Key**

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
a	**c**	**b**	**c**	**b**	**d**	**c**	**d**	**d**	**c**	**b**	**c**	**a**	**d**	**b**	**d**

UNIT-8	MARKET SEGMENTATION

8.1 CONCEPT / DEFINITION

8.2 SIGNIFICANCE / IMPORTANCE

8.3 BASES FOR SEGMENTATION CONSUMER MARKET

8.4 TARGETING

8.5 POSITIONING: CONCEPT AND PROCESS

❖ **CHECK YOUR PROGRESS**

8.1 CONCEPT / DEFINITION:

1. Market segmentation is defined as subgroup of people or organization sharing one or more characteristics that cause them to have similar product needs.
2. Market segmentation is the activity of diving a broad consumer or business market normally consisting of existing and potential customers, into sub-groups of consumers based on same type of share characteristics.
3. It is the process of dividing a market of potential customers into groups of segments based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs or location.
4. It is the process to identify a group of people who share one or more common characteristics, lumped together for marketing purposes.
5. Market segmentation is the process of dividing a market of potential customers into groups or segments based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs or locations.
6. It is a marketing term that refers to an aggregating prospective buyers into groups or segments with common needs and who respond similarly to a marketing action. It enables companies to target different categories of consumers who perceive the face value of certain products and services differently from one another.
7. In dividing or segmenting markets, researchers typically look for common characteristics such as shared needs, common interests, similar lifestyles or even similar demographic profiles.

❖ **OBJECTIVES**

It depends on what are your goals for the segmentation; what you want the segmentation to help you with. In majority of the cases, segmentation is used for:

(1) Finding your best (and least profitable too) customers
(2) Bringing back customers who have lost interest in your product services or company
(3) Improving customer experience.
(4) Giving a relevant and tailored content for different groups of customers rather than givingthe same offer for everyone.
(5) Predicting customer future behavior.
(6) Learning about what different groups of customers expect from your company.
(7) Helping with improving customer loyalty and retention.

8.2 SIGNIFICANCE / IMPORTANCE

While market segmentation is initiated step in marketing due to its importance to define the target customer marketers need to clearly understand the market segment for the following reasons.

1. **Understand their customers.**

2. **Better matching of customer needs. :**

   Customer needs differ creating separate offers for each segment makes sense andprovides customers with a better solution.

3. **Enhanced profits for business. :**

   Customers have different disposable income. They are therefore different in how sensitive they are to price. By segmenting markets, business can raise average prices andsubsequently enhance profits.

4. **Better opportunities for growth market** segmentation can build sales for examples. Customers can be encouraged to 'trade-up' after being introduced to a particular product with an introductory, lower priced product

5. **Retain more customers :**

   Customer circumstances change for example they grow older, form families, change jobs or get promoted, change their boring patterns. By marketing products that appeal to customers at different stages of their life (life-cycle) a business can retain customers who might otherwise switch top competing products and brands.

6. **Target Marketing Communication:**

   Business needs to deliver their marketing message to a relevant audience; if thetarget market is too broad there is a strong risk that

   - The key customers are missed and
   - The cost of communicating to customers too high/unprofitable. By

segmentingmarkets, the target customer can be more often and at lower cost.

7. Gain share of the market share:

Unless a business has a strong or leading share of a market it is unlikely to be maximizing its profitability minor brands suffer from scale economics in production and marketing, pressure from distributors and limited space on the shelves.

In other words, it can provide direction, value creation and competitive edge to the marketer.

It is also said that:

1. It is helpful in competition
2. Provides opportunities to expand markets
3. To discover marketing opportunity
4. To increase the knowledge of customers' needs
5. Adjustments in products
6. Increase in sales value
7. Adopt solved and effective marketing programmer
8. Effective advertising appeal
9. Increases marketing efficiency

8.3 BASES FOR SEGMENTATION CONSUMER MARKET

A. DEMOGRAPHIC SEGMENTATION:

It divides the markets into groups based on variables such as age, gender, family size, gender, education, religion, race, and nationality. Demographic features are the most popular bases for segmenting the consumer groups. One reason is that consumer needs, wants and usage rates often very closely with the demographic variable. Moreover, demographic features are easier to measure than most often types of variables.

- **Age**

It is one of the most common demographic variables used to segments market. Some companies offer different products or the different marketing approaches for different age groups. For example, Mc Donald's targets children, teens, adults and seniors with different ads and media. Markets that are commonly segmented by age includes

Clothing Music Automobiles Soaps Shampoos
Food and many more

- **Gender**

It is popularly used in:
Clothing, cosmetics and magazines

- **Income**

Markets are segmented on the basis of income. Income is used to divide the markets because it influences the people's product purchase. It affects the consumer's buying power and style of living pr and services categories mostly segmented by income are:

Housing Furniture Automobile Clothing Alcoholic Beverages Clothing Food
Sporting goods, luxury good, financial services and travel

- **Family Cycle**

Products need vary according to ages, no of persons in the household, martial status and no and age of children. These variables can be combined into a single variable called family life cycle.

Housing
Home Appliances Furniture

Food and automobile are few of the numerous product markets segmented by the family cycle stages.

Social class can be divided into upper class, middle class and lower class.

Many companies in clothing, home furnishing, leisure activities design products and services for specific social classes.

B. Geographic Segmentation

It refers to driving a market into different geographical units such as Nations, States, Regions, Cities or neighborhoods.

Examples: National Newspapers are published and distributed to different cities in different languages to cater to the needs of the consumer.
Variables such as climate, terrain, natural resources and population density also influence consumer product needs.

C. Psychographic Segmentation

It pertains to lifestyles and personality traits.

1. Personality characteristics:

- It refers to a person's individual character traits, attitudes and habits. Here, markets are segmented according to imputativeness, introvert, extrovert, ambitious, aggressiveness, etc.
- This type of segmentation is used when a product is similar to many competing products and consumer needs for products are not affected by other segmentation variables.

2. **Lifestyle:**

- It is the manner in which people live and spend their time and money.

- Lifestyle analysis provides marketers with a broad view of consumer because it segments the markets into groups on the basis of activities, interests, beliefs and opinions, companies making cosmetics, alcoholic beverages and furniture segment market according to the lifestyle.

D. Behavioral segmentation:

- In this type of segmentation buyers are divided into groups on the basis of their knowledge of attitudes towards use of or response to a product.
- It includes segmentation on the basis of occasions user status usage rate, loyalty status, buyer readiness stage and attitude.

1. **Occasion:**

Buyers can be distinguished according to the occasions when they purchase a product, use a product or develop a need to use a product. It helps the firm expand the product usage. For example, Cadbury’s advertising to promote the product during wedding season is an example of occasion segmentation.

2. **User status:**

Sometimes the markets are segmented on the basis of user statics, that is on the basis of non-user, ex-user, potential user, first time user and regular user of the product.
Companies with marketing knowhow usually target potential users, whereas other companies focus on the current users.

3. **Usage rate:**

Markets can be distinguished on the basis of usage rate that is on the basis of light, medium and heavy users.

Heavy users are often a small percentage of the market but account for a high percentage of the total consumption. Marketers usually prefer to attract a heavy user rather than several light users and vary their promotional efforts accordingly.

4. **Loyalty status:**

Buyers can be divided on the basis of their loyalty statics- hardcore loyal (consumer who buy are brand all the time) split loyal (consumers who are loyal to two or three brands) shifting loyal (consumers who shift form one brand to another) and switchers (consumers who show no loyalty to any brand)

5. Buyer readiness stage:

The six psychological stages through which a person passes when deciding to purchase a product. The six stages are:

I. Awareness of the product
II. Knowledge of what it does
III. Interest in the product
IV. Preference over competing products
V. Conviction of the product's suitability and
VI. Purchase

8.4 TARGETING

- **Concept/definition**

Targeting in marketing is a strategy that breaks a large market into smaller segments to concentrate on a specific group of customers within that audience instead of trying to reach an entire market, a brand user target marketing to put their energy into connecting with a specific defined group within that market.

- **Market targeting**

Market targeting is a process of selecting the target market form the entire market. Target marketconsists of group of buyers to whom the company wants to satisfy or for whom products manufactured, price is set, promotion efforts are made and distribution network is prepared.

- **Target marketing:**

Targeted marketing appeals to individual demographics or preferences causing those who view targeted marketing tactics to respond and purchase the advertised product or service. In turn, companies find that this legally effective advertising results in increased overall sales and brand awareness.

Companies that offer specialized products or services typically benefit the most form using targeted marketing strategies.

Focusing marketing efforts on specific groups who are more likely to respond increases the chances that the marketing efforts will be relevant to these groups. When marketing is relevant people are more likely to spend money on that service or product.

- **Strategies of targeting**

There are four generic target marketing strategies:

1. Undifferentiated marketing:

There may be no strong differences in customer characteristics. Alternatively, the cost of developing a separate marketing mix for separate segments may outweigh the potential gains of meeting customers' needs more exactly. Under these circumstances, a company will decide to develop a single marketing mix for the whole market. There is absence of segmentation.

2. Differentiated marketing or multi segment targeting:

When market segmentation reveals several potential target segments that the company can serve profitably specific marketing mixes can be developed to appeal to all or some of the segments.
A differentiated marketing strategy exploits the differences between marketing segments by designing a specific marketing mix for each segment.

3. Focus on concentrated targeting:

Several segments may be identified but a company may not serve all of them. Some may be unattractive or out-of-line with the company's business strengths. A company may target just one segment with a single marketing mix. It understands the needs and motives of the segments customers and designs a specialized marketing mix.

4. Customized marketing:

In some markets, the requirements of individual customers are unique and their purchasing power is sufficient to make designing a separate marketing mix for each customer a viable option.

Many service providers such as advertising marketing research firms, architects and solicitors very their offering on a customer-to-customer basis.
Astonished marketing is associated with close relationship between the supplier own customer because the high value of an order dustiest large marketing and sales effort being toward on each buyer.

8.5 POSITIONING: CONCEPT AND PROCESS

Definition:

1. Positioning refers to the place that a brand occupies in the minds of the customer and here it is distinguished born the products of the competitors.
2. Jack Trout stated that positioning is a mental device used by consumers to simplify information input and store new information in a logical price.
3. In positioning the marketing department creates an image for the product based on its intended audience. This is created through the use of information, price, place and product.
4. Market positioning refers to the process of establishing the images or identify of a brand or product so that consumes perceive it in a certain way.

For example, automobile company may promote its car as a luxury status symbol.

5. Positioning defines where your product (item or service) stands in relation to others offering similar products and services in the marketplace as well as the mind of the customer.
6. The process of getting an image of products in the minds of the customer competitive products / service is called positioning.

(1) Identifying potential competitive Advantage:

In this first stage, product is positioned by highlighting product benefits / advantages. So, the primary task is to identify which are the potential competitive advantages that a company can offer. A company can differentiate its product by competitive advantages.
Source of competitive advantage are:

(I) Related to Products:
Example – Product features
Product qualities
(Including durability, reliability, design/style and reparability) product performance

(II) Related to Service:

- Easy ordering
- Speedy, accurate and careful delivering
- Facility for free and safe installation
- Training to customers for effective and safe use to the product guarantee, warranty, credit and maintenance
- Customer consultation which includes information and advice either free or at price to buyers.

(III) Related to Personnel:

They consist of employee's competence, courtesy, credibility, responsiveness communication etc.

(IV) Competitive Advantages Related to Channel:

It may include coverage, accessibility, regularity, types and quality of service, expertise and performance of channel members.

(V) Competitive advantages related with image:

This type of advantages is related to a company image or brand image. They consist of prestige status and identity offered by the product manufactured and marketed by a well-known and reputed company.

(2) Developing positioning strategy or choosing competitive advantage.

It is natural that all the benefits are not meaningful or worthwhile therefore a company must carefully select certain basic competitive advantage.

The advantage a company wants to position must satisfy following conditions:

(I) Important to consumers
(II) Distinctive or unique
(III) Communicable and visible to buyers
(IV) Superior
(V) Cannot be easily copied by competitors
(VI) Affordable
(VII) Profitable

While selecting competitive advantage decision maker has to answer two important questions no of competitive advantage and which competitive advantage should be selected for Positioning purpose.

(3) Communication: the Company's Competitive Advantage

It is also known as signalizing the competitive advantage

Once the company has decided on what and how many competitive advantages are to be emphasized for product positioning, the next task is to communicate them effectively to position them in the mind of consumers.

❖ CHECK YOUR PROGRESS

- **Descriptive Question:**

1. Enlist objective of segmentation
2. Describe importance / significance of segmentation
3. Explain bases of segmenting consumer market
4. Enumerate the strategies of targeting
5. Describe product positioning process.

- **Short Questions:**

1. Define: Market segmentation.
2. Explain in short geographic segmentation.
3. Give definition of positioning.
4. Enlist sources of competitive advantage.
5. Enlist stages of products positioning process.

- **Multiple Choice Questions:**

(1) Which marketing tool is associated with to create an image in the mind of consumer?

a. Segmentation
b. Targeting
c. Positioning
d. None

(2) It is the marketing task to clarify the enter markets into various subgroup

a. Segmentation
b. Targeting
c. Positioning
d. Marketing communication

(3) To focus Marketing efforts after segmentation, which marketing activity is essential for marketer?

a. Targeting
b. Positioning
c. Advertising
d. Branding

(4) Competitive advantage commits of following characteristics

a. Distinctive or unique
b. Communication
c. Visible to buyers
d. All the above

(5) STP Strategy is related with

a. Segmentation
b. Targeting
c. Positioning
d. All the above

(6) Competitive advantage should be

a. Superior
b. Cannot easily copied by competitors
c. Affordable
d. All the above

(7) Following is not a step in the product's positioning process...

a. Identifying potential competitive advantage
b. Selecting competitive advantage
c. Communicating competitive advantage
d. Perceive competitive advantage

❖ MCQ Answers:

1. (C) Positioning
2. (A) Segmentation
3. (A) Targeting
4. (D) All of the above
5. (D) All of the above
6. (D) All of the above
7. (D) Perceive Competitive Advantage

❖ BRIEF PRECISELY:

Q. 1 What is competitive advantage?

Q. 2 What is segmentation?

Q. 3 Lifestyle is the criterion of which bases of segmenting?

Q. 4 Gender and Age fall under which segmentation base?

Q. 5 Difference between Target marketing and Market targeting

Q. 6 Which are the different characters of competitive advantage?

Q. 7 To which marketing activity selection among many markets is related?

Q. 8 Is it important to position product?

Q. 9 Which are the three steps of positioning process?

Q. 10 Not segmenting two markets at all are known as which marketing strategy?

UNIT-9	CONSUMER BEHAVIORS

9.1 CONCEPT / DEFINITION

9.2 FACTORS INFLUENCING CONSUMER BEHAVIOUR

9.3 CONSUMER VERSUS ORGANIZATIONAL BUYERS

9.4 BUYER CHARACTERISTICS

❖ **CHECK YOUR PROGRESS**

9.1 CONCEPT / DEFINITION

It is the study of Individuals, Groups or Organizations and all the activities associated with the purchase, use and disposal of goods and services including the consumer's emotional, mental and behavioural responses that precede or follow these activities.

It is the study of how individual customers, Groups or Organizations select, buy, use and disposeideas, goods and services to satisfy their needs and wants.

It refers to the actions of the consumers in the market place and the underlying motives for those actions.

The study of consumer behaviour assumes that consumers are actors in the marketplace.

According to Engel, Blackwell and Mansard, Consumer Behaviour is the action and decision processes of people who purchase goods and services for personal consumption.

According to Louden and Bitta, consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services.

9.2 FACTORS INFLUENCING CONSUMER BEHAVIOUR

(a) **Marketing Factors**: Such as product design, price, promotion, packaging, positioningand distribution.

(b) **Personal Factors**: Such as age, gender, education and income level

(c) **Psychological Factors**: Such as buying motives, perception of the product and attitudetowards the product

(d) **Situational Factors**: Such as physical surrounding at the time of purchase, socialsurroundings and time factors

(e) **Social factors**: Such as social status, reference groups and family

(f) **Cultural factors**: Such as religion, social class, caste and sub-caste.

❖ NATURE OF CONSUMER BEHAVIORS

(1) It Undergoes a Constant Change:

It is not static. It changes over a period of time depending on the nature of products. For example, youth look for the toothpaste which appeals taste, style and proximity to opposite gender while elders look for Ayurvedic content and trustworthiness of Brand

The change in buying behavior may take place due to several other factors such as increase in income level, education level and marketing factors.

(2) It Varies from Consumer to Consumer:

All consumers do not behave similarly but different consumers behave differently. The difference in consumer behaviors is due to individual factors such as the nature of the consumers, lifestyle and culture.

For example, some consumers spend money on unnecessary things and habituated for over spending while some consumers though having surplus money not inclined to spend and believe in savings and investments.

(3) It varies from region to region and Country to Country:

It varies across states, regions and countries.
For example, consumer behavior of urban people, mid-town people and villagers significantly differ.

It may differ depending on the upbringing lifestyles and level of development.

(4) It's Knowledge is important to Marketer:

Knowledge of Consumer behavior enables them to take marketing decision wisely inrespect of the following factors:

(a) Product design/ model
(b) Pricing of the product
(c) Promotion of the product
(d) Positioning
(e) Place of distribution
(f) Packaging

(5) It leads to purchase Behaviors

A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand and the sales of the marketers increase. Therefore, marketers need to influence consumer behaviours to increase their purchases.

(6) Varies from Product to Product

Consumer behaviours are different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items.

For example, teenagers may spend heavily on fast foods and life style products, cell phones, branded wears while middle age persons may spend less on fast foods, branded wears and may invest money in savings, insurance schemes, medi-claims, pension schemes and so on.

(7) It Improves Standard of Living

The buying behaviours of the consumer may lead to higher standard of living. The more aperson buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services despite having a good income, they deprive themselves of higher standard of living.

(8) Reflects Status

The Consumer Behaviors is not only influenced by the status of consumer, but it also reflects it. The consumers who own luxury flats, watches, technological gadgets and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

9.3 CONSUMER VERSUS ORGANIZATIONAL BUYERS

Consumer buying is where the final consumer buys goods and services for the personal consumption while organizational buying involves purchasing goods and services to produce other goods with the intention of reselling it.

The major variations are in market structure and demand, buyer characteristics and decision processes and buying patterns.

(1) Market Structure and Demand

(a) Geographical Concentration:

Buyers are more concentrated than in the consumer market. For examples, ceramicindustries are highly concentrated in Gujarat.

(b) Fewer and Larger Buyers:

Buyers are also concentrated by size in the organizational market.

(c) Vertical and Horizontal Markets:

In a vertical market, the product or service would be sold perhaps one or two. Horizontal markets are those which are broad in which the product and services are sold to a wide spectrum of industries.

DEMAND:

(a) Derived Demand:
Organizational demand is derived from consumer demand.

(b) Inelastic Demand:
Total Industry demand for industrial goods is relatively unaffected by changes inprice in the consumer market.

(c) Fluctuating Demand:
Organizational demand is characterized by much greater fluctuation than that of consumer markets. Generally organizational buying is closely related to the economic cycle.

9.4 BUYER CHARACTERISTICS

Organizational buyers and final buyers differ in characteristics.

(a) Group Involvement:

As product purchased by organizational buyers are often costly and complex, a group of individuals may be involved in the decision.

(b) Technical Knowledge:

Professional buyers are generally quite knowledgeable about products or services being bought and make the purchase decision.

(c) Rational Motivation:

Organizational buyers are often slowly directed by rational motivations. Such factors are generally economic based and can be translated into money, so that costs and benefits may be carefully weighed.

(2) Decision Process and Buying Pattern:

Organizational buying patterns are characterized by a number of differences from finalconsumers in their decision process and purchase patterns.

(a) Formality
(b) Complexity
(c) Lengthy Negotiations
(d) Large Orders
(e) Direct buying
(f) Importance of Service

❖ CONSUMER DECISION MAKING PROCESS:

It consists of seven steps as mentioned below:

1 Stimulus
2 Need recognition
3 Information search

4 Evaluations of alternatives
5 Purchasing decisions
6 Post purchase behavior
7 Evolution of Decision

1. Stimulus

It is a cue or drive meant to motivate a person to get. A stimulus can be any of thefollowing:

Social,
Comm
ercial,
Non-commercial, and
Physical

Prospective consumers may be exposed to any or all of these types of stimuli of a personis sufficiently stimulated, he or she will go on to the next step in the decision process.

2. Need Recognition

Markets want to create an imbalance in consumers between their present states and theirpreferred status.

This imbalance will create a need and make consumers search out and buy product orservice.
Need recognition decision when a consumer is faced with a difference between on actualand desired state.

3. Information search:

Consumer needs to start an information search about the different alternative selectionsthat they can purchase to satisfy their need.

Information gathered from memory such as past experiences with the product is calledinternal information search.

Seeking information in the outside environment is considered as an external informationsearch.
Information from radio, television ads, brochures etc. are examples of external information search.

4. Evaluating Alternatives

After collecting information, consumer compares the various deals and finds out the bestdeal to satisfy the needs and wants.

This comparison may be based on quantity, quality, price and other factors that areimportant for them.

After comparing all available options, the one that satisfies most oftheir parameters is finally chosen.

5. Purchasing Decision:

This is the stage of implementing the choice made after evaluation of alternatives.

At this stage, consumer spends money and purchases the ideas, goods or services before he/she thinks that meet the needs so called precisely.

6. Post-purchase Behavior

Frequently, the consumer engages in post-purchase behaviour. Buying one item may leadto the purchase of another.

Re-evaluation of the purchase occurs when the consumer rates the alternative selectedagainst performance standards.

Congestive dissonance doubt concerning a correct or incorrect purchase decision can bereduced by follow-up calls, extended warranties and post purchase advertisements.

7. Evaluation of Decision:

Simple thing like quarterly check-ins and monthly cheek-ins prove very important tomarketer.
The more the marketer gets feedback loop from customer success or customer failure andconsequently learn from that, the faster the marketers can improve their deliverable product or service.

❖ **CHECK YOUR PROGRESS**

- **Multiple Choice Questions**

1. Which of the following are factors influencing consumer behaviour?

A. Situational factors
B. Social factors
C. Marketing factors
D. All the above

2. Which of the following is not a factor influencing consumer behaviour?

A. Psychological factors
B. Personal factors
C. Cultural factors
D. Manufacturing factors

3. **Which of the below mentioned are included in personal factors that influence consumer?**

A. Age.
B. Education.
C. Income.
D. All the above.

4. **From below which is not included in marketing factors which influences consumerbehaviour?**

A. Gender
B. Price
C. Promotion
D. Distribution

5. **Psychological factors contribution to influences consumer behaviours includes?**

A. Buying motives
B. Perception of the product
C. Attitude towards the product
D. All the above

6. **Which is not included in cultural factors influencing consumer behaviours?**

A. Religion
B. Social class
C. Cast
D. Physical Surrounding

7. **Which of the following is not a characteristic of consumer behaviours?**

A. It is static in nature
B. It varies from consumer to consumer
C. It varies from region to region
D. It knowledge is important to Marketer

8. **Which of the following are characteristics of consumer behaviours?**

A. It is some across country
B. It does differ product to product
C. It reflects status
D. It does not improve standards of living

9. **Consumer versus organizational buyers can be differentiated from?**

A. Market structure and Demand
B. Buyers characteristics
C. Decision process
D. All the above

10. Consumer and organizational buyers cannot be differentiated from?

A. Buying patterns
B. Cultural patterns
C. Demand
D. Decision process

11. Geographical concentration fewer or larger buyers and vertical or horizontal models contributing to factors of differ which differential consumer versus organizational buyers?

A. Buyers characteristics
B. Decision processes
C. Market structure and demand
D. Buying patterns

12. Buyers characteristics one of the variables to differentiate consumer versus organizationalbuyers includes?

A. Group Involvement
B. Technical knowledge
C. Both (a) & (b)
D. None from the above

13. Decision process and buying pattern includes.

A. Formalities
B. Complexity
C. Lengthy negotiations
D. All the above

14. Which of the following is a step in the process of consumer's decision making?

A. Advertising and consumer attitude
B. Consumer perception
C. Stimulus & need recognition
D. Product design.

- **MCQ Answers**

1. (D) All of the above
2. (D) Manufacturing Factors
3. (D) All of the above
4. (A) Gender
5. (D) All of the above
6. (D) Physical Surrounding
7. (A) It is Static in Nature
8. (C) It reflects Status

9. (D) All of the above
10. (B) Cultural Patterns
11. (C) Market Structure and Demand
12. (C) Both (a) and (b)
13. (D) All of the above
14. (C) Stimulus and Need Recognition

- **ANSWER PRECISELY**

Q. 1 what is consumer behaviour, according to Louden and Bitta?
Q. 2 Define, consumer behaviour according to Blackwell and Mansard?
Q. 3 What is vertical or horizontal models?
Q. 4 What is derived demand?
Q. 5 Define inelastic demand?
Q. 6 Brief about fluctuating demand?
Q. 7 What is Geographical concentration?
Q. 8 Define: Rational motivation?
Q. 9 What is stimulus?

- **DESCRIPTIVE QUESTIONS**

1. Discuss factors influencing consumer behaviors.
2. Explain the nature of consumer behaviors with suitable examples.
3. Enumerate the difference between consumers versus organization buyers.
4. Explain Consumer decision making process with suitable example.

- **SHORT QUESTIONS**

1 Define the consumer behavior.
2 Enlist factors influencing consumer behaviors.
3 Give major variations of consumer versus organization buyers .
4 Give types of demand.
5 Consumer and organizational buyers can be differential from the point of view marketstructure and demand. Explain.
6 Briefly state the buyers' characteristics which differentiate consumer and organizationalusers.
7 Decision process and buying pattern is one of the variable from which consumer and organizational buyers can be differentiated explain briefly.
8 Enlist the 7 steps of consumer decision making process.

UNIT-10 RECENT TRENDS: MARKETING

10.1 RETAILER AND RETAILING

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Retailer is the person or institution who delivers goods to final consumer in the channel of distribution. Goods and services are created for consumption and use by people, it is retailer who assumes the role of taking the goods to its final destiny of consumption.

The word retail is derived from the French word Retailer, that is to cut a piece, a break down. A retailer buys in large quantity from the middleman or manufacturer and breaks the bulk in small quantity, sells or markets them in small quantity to meet the needs of customers.

He acts as a link between manufacturer or middleman and consumer. He delivers the product or service in a form, size, that is acceptable to final consumer. Retailer is described as merchandising arm of manufacturers or a neck in the bottle of distribution.

Retail as trade has developed over the period of time, from un organized street vendor or seller like

SUBJIWALA, PAANAWALA to organized shops like super bazaars, Departmental stores. Today we see revolution in the field of retail business with entry of firms like Big Bazar McDonald, Walmart that are not just delivering goods, but also satisfying needs and wants of people there by ensuring customer - delight. Retailing has developed as a more organized activity adopting functions of marketing in distribution of goods or service.

DEFINITION:

AMA:

American Marketing Association outlined Retailing consists of activities involved in selling directly to ultimate consumer for personal or non-business use. It embraces the direct to customers sales activities of the producer, whether through his own store, by house-to-house counselling or mailorder business‖.

As per the definition any one i.e., manufacturer or middlemen or retailer selling directly to the final customer through any kind of sales outlet is doing the business of retailing.

PHILIP KOTLER:

The marketing guru has said all activities in selling goods or service directly to final consumer for personal or non-business use is retailing or retail marketing.

DEVELOPMENT OF RETAILING IN INDIA:

The retail market in India is projected to reach $1.1 trillion by 2020 from the current level of $680 billion, according to a joint study by MRSSIndia.com and the Associated Chambers of Commerce and Industry of India (ASSOCHAM), which foresees the fast-moving consumer goods (FMCG) market reaching $103.7 billion by 2020 from $ 49 billion now.

The exponentially-rowing retail and FMCG markets in the country are expected to grow annually at 20 per cent and 21 per cent respectively, says the study conducted by MRSSIndia.com, which is an independent market research agency.

The more than 600 towns with population of less than a million will add another 30 per cent of affluent households and is a potential market yet to be grabbed, an ASSOCHAM press release said quoting the study.

The rural FMCG market in India is expected to grow at a CAGR of 14.6 per cent, and reach $220 billion by 2025 from $29.4 billion in 2016.

The demand is shaped by factors such as, a noticeable shift in demographics with a rise in middle class income, rise in the number of smaller towns entering the consumption bandwagon, emergence of new channels like e-commerce, proliferation of Internet and demand driven by digital media.

After the implementation of GST, retailers are expecting FMCG companies to reduce product prices as the new tax regime can impact buying behaviour. The retailers believe if the companies don‘t revise their prices, they will lose around 2-3 per cent margin.

CASELET: CASE: INDUSTRY STATUS FOR RETAIL SECTOR?

Barely recovering from the slump in the economy, organised retailers in the country demand that the sector should be given industry status, besides easing foreign standing demand of the retail sector. Besides we also want a relaxation in the foreign direct investment (FDI) norms, Retailers Association of India chief executive officer Kumar Rajagopalan said. Sharing similar views, Koutons Retail India chairman D P S Kohli said: ―Industry status has been a recurring demand of the retail sector for many years since only then will the retailers be able to fully enjoy the benefits of organised financing, insurance and fiscal incentives.

According to industry figures, only around five per cent of the estimated over USD 450 billion Indian retail sector is currently organised. Calling for easing of FDI norms, Rajagopalan said, ―No industry in India has grown without FDI participation and for retail to emerge as a big player, more FDI should be allowed. Besides, he said even if FDI norms are not relaxed in the Budget, the government must give a clarification on FII and foreign PE funding route as there is a lot of ambiguity.

Kohli said clarity on the issue will help Indian retailers raise funds from abroad as the global liquidity condition is showing improvement. At present, the government allows 51 per cent FDI in single brand retailing and prohibits any foreign investments in the multi-brand segment.

KEY FEATURES

(i) It offers direct interaction with customers/end consumers
(ii) Sale volume is comparatively large in quantities but less in monetary value as compared toexporting/manufacturing
(iii) Customer service plays a vital role in the success of retail business
(iv) Sales promotions are offered at this point only
(v) In almost all countries, retail outlets are more than any other form of business
(vi) Location and layout are critical factors in retail business
(vii) It offers employment opportunity to all age groups irrespective of age and gender, qualificationor religion, etc.

SELF-ASSESSMENT

State whether the following statements are true or false:

i. Retailing is the last link in the supply chain that delivers goods to the final consumers.
ii. Retailing is concerned with selling of goods only to the final consumers.
iii. Retailing is a part of manufacturer’s overall distribution strategy.

IMPORTANCE

Products are created for consumption and satisfaction of the people. They should reach people for whom they are meant for. It is the retailer who assumes the role of taking the goods to the people and delivers them to their convenience and comfort. Importance of retailer is due to following role he assumes in the sale of goods.

1. Link and Communication between Manufacturer Marketing and Consumer:

A retailer functions between the final customer and manufacturer. He not only helps in selling and buying activity, but collects important information about the people, i.e., likes and dislikes of the product and important information regarding market. This will help manufacturer to design and deliver a product to the expectation of people. This will increase sale and profits and ensure higher levels of satisfaction to the consumer.

2. Benefits of a Specialist or Expert in Distribution Network:

Retailer is an expert and experienced person in distribution network. He understands the pulse of people, there likes and dislikes due to his proximity and contact with the people. He stores those products and services that people want and delivers them in size and style which the people expect Owing to his expertise and knowledge about the product and market he helps the customers to make right choice in their purchase.

3. Creates Utility and Value:

Retailer creates time, place and from utility in the distribution of goods and increases value of goods. Goods that are manufactured in bulk and large quantity are purchased in large scale by retailer and he breaks the bulk, delivers them in small packs and quantity that is required by the consumer. In this process he creates form utility. Goods are manufactured in one corner of country and they care consumed in different parts of the word.

Retailer buys goods from different producers and makes them available locally to his customer and there by creates place utility. There is time gap in production and consumption. A retailer buys in advance from middlemen, stores them and sells through his shelf, whenever it is demanded. Creating these three utilities he increases value of goods and helps. The role of retailer ensures regular and continues production and consumption.

4. Comfort and Facility of Shopping:

Modern retail houses like Shopping Malls, Chain Stores and Multiplexes make shopping a pleasant experience. The environment and ambience in these Super Bazaars provide variety of facilities like kids play, entertainment, parking, lifts, trolleys to collect the goods, coffee shop etc. Retailing through internet, mobile, mail order will ensure delivery of goods to the doors of customer.

5. Service to Manufactures and Middlemen:

A retailer provides verities of services to manufacturers and middlemen by sharing customers information, i.e., their likes and dislikes about the product.

6. Provision of Storage and Warehousing:

Buying in advances and storing goods in his premise minimizes problem of warehousing to manufacturer Retailer undertakes buying in advance and selling out that product. Further display and promotion of the product will increase demand and sale of product.

7. Service to Customer:

RETAILER PROVIDES VARIETY OF SERVICES TO CUSTOMERS:

i. Locates retail stores at a place that is convenient to maximum people, near to his locality or in theheart of city.
ii. Offer's variety of goods to choose from.
iii. Makes attractive presentation and placement of product for easy identification and selection.
iv. Offers monetary incentives like reasonable price, discount, offers etc.
v. Provides services like home delivery, quality assurance, offer of sale service etc.
vi. Gives knowledge and information about the product to utility and there by helps him selectingright kind of product.

8. Increase in Productivity:

Retailer ensures productivity and efficiency in distribution of goods. He shares market information with manufactures and ensures production of those goods that have demand. His policies of promotion and placement create demand for product and ensure fast turnover through quick sale.

Proper logistics like transportation, warehousing will reduce damage and loss of value to the commodity. These initiatives will minimise wastage, cut down cost of operation and there by ensure efficiency and productivity.

9. Increase in Standard of Living:

Standard of living is measured by consumption of comforts and luxury goods. Retailer ensures a higher standard of living by making available variety of goods and service to the people at reasonable price. Facility, of credit and shopping within reach of common man will increase standardof living.

10. Increase in Employment Opportunities:

It is estimated that retail industry in India provides around 10% of employment. Over populous country like India which has a high percentage of un-employment is benefited by growing number and size of retail business. Apart from this retail provides and creates job opportunities for women, as women can take better care of customer.

With growing number of educated women who aspire to be economically independent, retail provides a better job opportunity. Retail also can provide part time job opportunities for those who want to work in shifts and also pursue their study or take care of some other home assignment.

11. Increase in GDP:

Organized and developed retail system creates better demand for goods and services. It provides convenient outlet for sales. Increased sales necessitate more production that in turn increases employment of more resources in economic activities. These factors result in a higher GDP growth that is essential for economic development of a nation.

12. Retail as a Separate Branch of Study:

Growing demand for organised retail and revolutionary changes in the retail trade has resulted in retail management and market as a separate branch of study. Universities are offering courses in retail business. These further creating new opportunities in retail education and development.

SELF-ASSESSMENT

Fill in the blanks:

i. Retail offers an_________________that enables customers to choose from a wide selection ofbrands, designs, sizes, colours, and prices in one location.
ii. Under__process, the retailer undertakes activities and performs functionsthat add value to the products and services while selling them to consumers.
iii. Retailer's__________________allows customers instant availability of the products and services.

Task: Visit your nearby retailers and find out what all activities do they perform to enrich customer service.

RETAIL FORMATSRETAILING TYPES

Retailing can be divided into five types. Here are the types of retailing that exists today –

- **Store retailing:** This includes different types of retail stores like department stores, specialty stores, supermarkets, convenience stores, catalogue showrooms, drug stores, superstores, discount stores, extreme value stores etc.
- **Non-store retailing:** Non-store retailing is a type of retailing where the transaction happens outside conventional shops or stores. It is further divided into two types – *direct selling* (where the company uses direct methods like door-to-door selling) and automated vending (installing automated vending machines which sell offer variety of products without the need of a human retailer).
- **Corporate retailing:** It involves retailing through corporate channels like chain stores, franchises, and merchandising conglomerates. Corporate retailing focuses on retailing goods of only the parent or partner brand.
- **Internet retailing:** Internet retailing or online retailing works on a similar concept of selling small quantities of goods to the final consumer but they serve to a larger market and doesn't have a physical retail outlet where the customer can go and touch or try the product.
- **Service retailing:** Retailers not always sell tangible goods, retail offerings

also consist of services. When a retailer deals with services, the process is called service retailing. Restaurants, hotels, bars, etc. are examples of service retailing.

Retail operations enable a store to function smoothly without any hindrances.

The significant typesof retail operations consist of:

- Department store
- Specialty store
- Discount/Mass Merchandisers
- Warehouse/Wholesale clubs
- Factory outlet

Retail Management System targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

THE EMERGING SECTORS IN RETAILING:

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international **formats of retailing**. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores and fast- food chains.

It is the non-food segment, however that foray has been made into a variety of new sectors. These include lifestyle/fashion segments (Shoppers' Stop, Globus, LifeStyle, Westside), apparel/accessories (Pantaloon, Levis, Reebok), books/music/gifts (Archies, MusicWorld, Crosswords, Landmark), appliances and consumer durables (Viveks, Jainsons, Vasant & Co.), drugs and pharmacy (Health and Glow, Apollo).

The emergence of new sectors has been accompanied by changes in existing formats as well as the beginning of new formats:

- Hypermarts
- Large supermarkets, typically 3,500-5,000 sq. ft.
- Mini supermarkets, typically 1,000-2,000 sq. ft.
- Convenience stores, typically 750-1,000sq. ft.
- Discount/shopping list grocer

The traditional grocers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has beenconfined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organised retailing. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation' effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.

In order to appeal to all classes of the society, retail stores would have to identify with different lifestyles. In a sense, this trend is already visible with the emergence of stores with an essentially value for money' image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire for to be part of this class. Hence, one can assume that the **retailing revolution** is emerging along the lines of the economic evolution of society

Major Retail Formats

Format	Description	The Value Proposition
BrandedStores	Exclusive showrooms either owned or franchised out by a manufacturer.	Complete range available for a given brand, Certified productquality.
SpecialtyStores	Focus on a specific consumer need;carry most of the brands available.	Greater choice to the consumer, comparison between brands possible
Department Stores	Large stores having a wide variety of products, organized into different departments, such as clothing, house wares, furniture, appliances, toys, etc.	One stop shop catering to varied consumer needs.
Supermarkets	Extremely large self-services retailoutlets.	One stop shop catering to varied consumer needs.

DiscountStores	Stores offering discounts on the retail price through selling high volumes and reaping the economies of scale.	Low prices.
Hyper-mart	Larger than a Supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city	Low prices, vast choice available including services as cafeterias.
Convenience Stores	Small self-service formats located incrowded urban areas.	Convenient location and extended operating hours.
ShoppingMalls	An enclosure having different formatsof in-store retailers, all under one roof.	Variety of shops available closeto each other.

Theories of structural changes of retailing:

The evolution of RM has taken a fantastic transition from traditional methods to modern thinking. Starting as primary or traditional retailing with melas, fairs, pilgrimage, weekly bazaars, rural fairs to mom and pop shop kirana stores the journey further reached to public distribution systems (PDS) Khadi outlets, co-operative stores and finally reached the level of shopping malls, bazaars, super bazaars and special bazaars.

Traditional- melas, Fairs, weekly Bazaars, Rural fairs. Indigenous- mom and pop, kirana stores Neighbor stores.Contemporary- PDS, Khadi outlets, co-operative stores
Modern Retailing- shopping malls, Bazaars, Super Bazaars, Special bazaars.

Current v/s New Retailing Formats

Retailer	Current Format	New Formats
Shoppers' Stop	Department Store	Quasi-mall
Ebony	Department Store	Quasi-mall, smaller outlets, adding food retail
Crossword	Large bookstore	Corner shops
Pyramid	Department Store	Quasi-mall, food retail
Pantaloon	Own brand store	Hypermarket
Subhishka	Supermarket	Considering moving to self service
Vitan	Supermarket	Suburban discount store
Foodworld	Food supermarket	Hypermarket, Foodworld express
Glob us	Department Store	Small fashion stores
Bombay Bazaar	Super market	Aggregation of Kiranas
Efoodmart	Food super market	Aggregation of Kiranas
Metro	Departmental store	Cash and carry
S Kumar's	Departmental store	Discount store

RETAIL STORE OPERATIONS:

When retail-marketing space is a best shopping zone for the consumers, it is quite challenging to the businessman. It has to ensure not only product availability but also make the shopping more creative and pleasurable. RM has to take care of various areas like,

- Store administration and management
- Inventory and stock management
- Managing of receipts
- Theft management
- Customer service
- Sales promotion
- Employee morale

SELF-ASSESSMENT

Fill in the blanks:

i. A______can sell a variety of brands and there generally no fees to the licensor.
ii. In______, not only is a product being sold, but other salespeople are being recruited
iii. to sell that same product or product line.
iv. A retailer who builds his/her business from the ground up is referred to as____retailer.

Task: Name the top ten retailers of the world and try to find out how much they contribute to the GDP of their home nation.

FUNCTIONS OF RETAILING

Retailers have many important functions to perform to facilitate the sale of the products. Thesefunctions include the following:

SORTING

Manufacturers produce large quantities of similar goods and like to sell their inventories to few buyers who buy in lots. While customers desire many varieties of goods from different manufacturers to choose from. Retailers balance the demands of both sides by collecting andassorting the goods from different sources and placing them according to the customers' needs.

BREAKING BULK

Retailers buy the goods from manufacturers and wholesalers in sufficiently large quantities but sell to the customers in small quantities.

CHANNEL OF COMMUNICATION

Since retail involves direct contact with the end consumers, it forms a very important channel of communication for the companies and manufacturers. The manufacturer tries to communicate the advantages of their products as well as the offers and discounts through retailers.

Retail also acts as a mediator between the company and the customer and communicates the feedback given by the customers back to the manufacturer or wholesaler.

MARKETING

Retail stores are the final channels where the actual decisions are made. Hence, they act as important marketing channels for the brands. Smart placements, banners, advertisements, offers, and other strategies are executed by the manufacturers to increase their sales in retail stores.

TRENDS IN RETAILING

Retail Marketing is largely based on three Vs- Value, Volume and Variety. Though the Retail marketing had the quantitative development across the globe, the quality is no doubt being compromised with the Globalization. International quality products are competing with indigenised products. This variation in size, quality and competition has made Indian market face ridiculous growth. As the competition is between international and indigenised products, its taking a great toll on both the sectors.

With the big giants entering the market, there is a grave competition in the Indian Economy. After 1995 the great companies like Food world, Reliance, Planet M, Music World and many others also entered the retail market. The visibility and the craze to remain in the forefront of business has made many of the giant companies to move from manufacturing to front line retailing. With this Retailing has become prominent giving world class shopping experience to the customers under one roof.

CONCLUSION

Indian retailing, thus enjoys many unique features, is still done in a primitive way. Barring a few exceptions, Indian retailers, particularly FMCG retailers, are not in a position to implement world- class practices of supply chain management. The concepts of Quick Response or Efficient Consumer Response are unheard of in Indian retailing. The two bases of modern retailing management, the Electronic Data Interface and a mutually respectable partnership among retailers and suppliers (the manufacturers) are missing to a great extent in Indian context. Also, Indian marketing channel members are performing some unnecessary tasks, which makes the channel structure heavy and inefficient. Though these inefficiencies are observed in all retailing irrespective of industry, the symptoms are more evident in Indian FMCG retailing. Inefficiency in retailing leads to lower profitability of the retailers and lower service outputs for the consumers.

Ways and means to strengthen the position of the retailing industry, doing away with the causes for the inefficiencies, therefore, are to be taken up in an urgent manner. Such measures may include establishment of retailers co-operatives, merger and buy-out, use of technology to the greatestpossible extent, setting up of non-store retailing centres and increase in franchisee network.

SUMMARY

Retailing in simple term can be defined as –Retailing is the business activity of selling goods and services to the final consumer‖. Retailing can be defined as the business products and services to consumers for their own use. It has its origin in the French word, retailer meaning to cut a piece off.

- The term retailing applies not only to the selling of tangible products like loaves of bread or pairs of shoes, but also to the selling of service products.
- Retailing, one of the largest sectors in the global economy, has become the most active and attractive sector of the last decade.
- Retailers perform various functions like providing assortments, sorting, breaking the bulk, rendering services, bearing risk, serve as a channel of communication, transportation, advertising and holding inventory. They significantly contribute towards increasing the product value and satisfying the consumers.
- This unit also addresses the question of how the Marketing Mix framework can be used to analyze the competitive standing of a retail business organization and how the outcome of this analysis can then be translated into practical tactics which capitalize on the organization's strengths.
- To build a competitive advantage that can be sustained, retailers need to pay special attention to aspects like price, location, merchandise, service and communications.
- There are a number of retail marketing jobs out there, wherein one is not a sales executive, but one who creates and supervises sales strategies in the retail market.

KEYWORDS

Breaking Bulk: Offering the products in smaller quantities tailored to individual consumers and household consumption patterns and thereby reducing transportation and inventory costs.

Department Stores: it is a retail establishment which specializes in satisfying a wide range of the consumer's personal and residential durable goods product needs.

Gatekeeper: Member of a decision-making unit or social group who acts to prevent or discourage a purchase by controlling the flow of information and/or access to people in the buying center.

Kiosk: A small open-fronted hut or cubicle from which newspapers, refreshments, tickets, etc., aresold.

Marketing: The process by which individuals and groups obtain what they want and need throughcreating, offering and freely exchanging products and services of value with others.

Merchandise: Goods to be bought and sold.

Retailing: Business activity of selling goods and services to final consumers.

Accordion Theory: *A theory of retail institutional change that suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution.*

Category Killer: *A large retail chain store that is dominant in its product category.*

Convenience Stores: A store with extended opening hours and in a convenient location, stocking alimited range of household goods and groceries.

Hypermarket: A very large commercial establishment that is a combination of a department storeand a supermarket.

Retail Format: Format of a retailer is the overall appearance and feels that it presents to customers,primarily its look and layout, the sort of range it stocks and the approach taken to pricing.

Specialty Stores: A store that sells only one kind of merchandise.

Supermarket: A large self-service store selling foods and household goods.

Vending Machine: A machine that dispenses small articles such as food, drinks, or cigarettes when acoin, bill, or token is inserted.

REVIEW QUESTIONS

1. Describe the act of retailing. Why do you think retailing is important?
2. Retailers provide a collection of service benefits to their customers. Substantiate.
3. Discuss the functions of retailing with the help of suitable examples.
4. Explain how sorting by the retailer helps you as a customer.
5. Name and state the characteristics of popular store-based formats.
6. Explain the rationale behind the launch and success of non-store-based retailing.
7. Discuss the Wheel of Retailing theory with the help of a diagram.
8. Why would a new retail store carry a broad assortment of merchandise but does not carry adeep assortment?
9. How is the Environmental theory of retail similar to Darwin’s Natural Selection theory?
10. –The retail life cycle is the theory about the changes through time of the retiling outlets. Keeping this in mind, discuss the lifecycle of a retail institution.
11. Contrast Independent Retail model and franchising.
12. Discuss the traditional business models of Indian retail.

❖ **Multiple Choice Questions**

1. The purpose of retail business is to______________________

(a) go for partnership (b) make maximum promotion

(c) extend to other localities (d) selling goods tocustomer

2. A retail store deals primarily with sales_________________________in retailing.

(a) volume (b) location (c) places (d) value

3. The term „wholesale" means the selling of goods for business use or for ____purpose.

(a) sale (b) resale
(c) post sale (d) None of the above

4. Under organised retailing, the most common feature is ______________________

(a) number of brands and products are large (b) purchases are on credit basis
(c) few employees exist (d) All (a), (b) and (c)

5. Unorganised retail is mostly confined to a_____________________.

(a) particular locality (b) different branches
(c) chain of stores (d) None of the above

6. The capital requirement is high in________________________.

(a) unorganized retail (b) organized retail
(c) Both (a) and (b) (d) None of the above

7. The independent retailer operates his business with______________________.

(a) partners (b) professionals
(c) few locals/ family members (d) None of the above

8. Corporate retail chain is also called______________________.
(a) franchise (b) chain retailer
(c) independent retailer (d) None of the above

9. Specialty stores have very clearly defined______________________.

(a) producers (b) competitors
(b) target market (d) Both (a) and (b)

10.2 MARKETING OF SERVICES

A service is an act or performance offered by one party to another. Although the process may be tiedto a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.

Services are economic activities that create value and provide benefits for customer’s specific times and places, as a result of bringing about a desired change in – or on behalf of – the recipient of the service. Service is those separately identifiable, essentially intangible activities which provide want- satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) to these tangible goods.

DEFINITION:

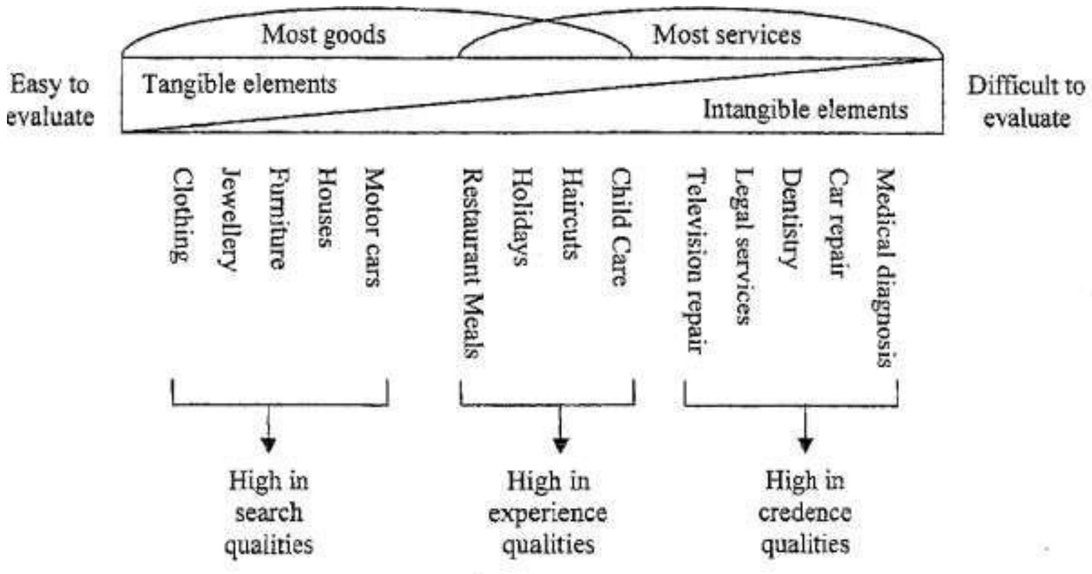
One common method of defining a service is to distinguish between the core and peripheral elements of that service. The core service offering is the necessary outputs of an organization which are intended to provide the intangible benefits customers are looking for. Peripheral services are those which are either indispensable for the execution of the core service or available only to improve the overall quality of the service bundle.

Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of itsfirst purchaser.

EXAMPLES OF SERVICES ARE:

Transportation and public utilities, Hotels and other lodging places, Rail-road transportation, Personal services, Local and inter-urban passenger transit, Business services, Trucking and warehousing, Auto repair, services and garages, Water transportation, Miscellaneous repair services, Air transportation, Motion pictures, Pipelines except natural gas, Amusement and recreation services, Health service, Communication, Legal services, Telephone and telegraph, Educational services, Radio and television broadcasting, Social services and membership organizations, Electricity, Gas, Sanitary services, Miscellaneous professional services, Wholesale trade, Private household services, Retail trade, Finance, insurance, and real estate, Banking, Military, Credit agencies other than banks, Government enterprises Security and commodity brokers, Local government, Real estate, Education, Holding and other investment companies and Other services.

EVALUATION OF SERVICES:



Adapted from: Rushton and Carson (1989)

CLASSIFICATIONS OF SERVICES

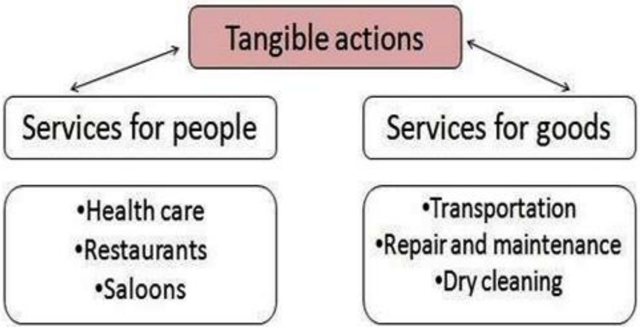
In order to be able to make a clear and relevant classification of services, we would first need to understand the concept of the word itself. Services usually refer to processes and not physical products. Some services may include people whereas other services (like online services) may include objects which are managed by people.

Examples of services which include people can be a hair salon, education, theater, restaurants, and public transportation. On the other hand, services that include objects include repairs and maintenance, dry cleaning, banking, legal services, insurance, etc.

1. Classification of service based on Tangible Action

Wherever people or products are involved directly, the service classification can be done based on tangibility.

(i) Services for people: Like Health care, restaurants and saloons, where the service is delivered by people to people.



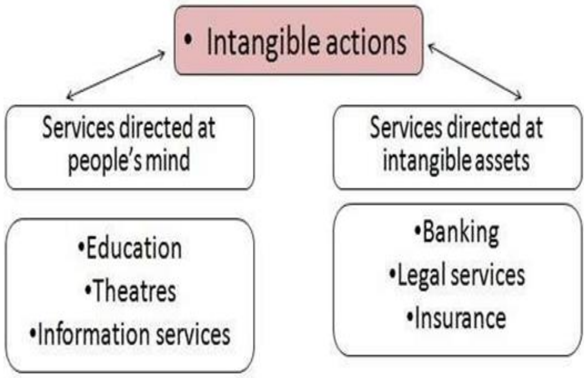
(ii) Services for goods: Like transportation, repair and maintenance and others, where services aregiven by people for objects or goods.

2. Classification of services based on Intangibility

There are objects in this world which cannot be tangibly quantified. For example – the number of algorithms it takes to execute your banking order correctly, or the value of your life which is forecasted by insurance agents. These services are classified on the basis of intangibility.

(i) Services directed at people's mind: Services sold through influencing the creativity of humans are classified on the basis of intangibility.

(ii) Services directed at intangible assets: Banking, legal services, and insurance services are some of the services most difficult to price and quantify.



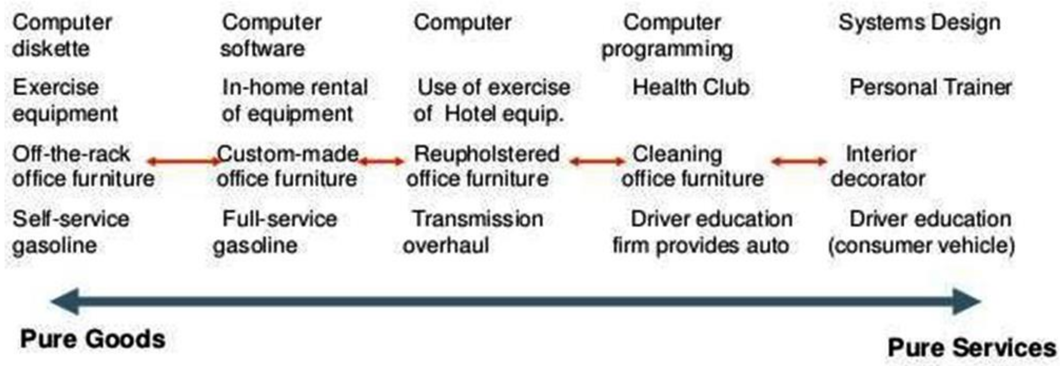
The most intangible form of service output is represented by information processing. The customer's involvement in this type is service is not required. Generally, customers have a personal desire to meet face to face but there is no actual need in terms of the operational process. Consultancy services can be an example of this type of services where the relationship can be built or sustained on trust or telephone contact. However, it is more indicated to have a face-to-face relationship in order to fully understand the needs of the customer.

A more general classification of services based on the type of function that is provided through themcan be as follows:

- Business services
- Communication services
- Construction and related engineering services
- Distribution services
- Educational services
- Environmental services
- Financial services
- Health-related and social services
- Tourism and travel-related services
- Recreational, cultural, and sporting services
- Transport services
- Other services not included elsewhere

Goods/Services Continuum

SELF-ASSESSMENT



State whether the following statements are true or false:

i. Services are offered only as complementary or in a package with sale of goods.
ii. Services can be both tangible and intangible.
iii. Customers play an important role in delivery of services.

Task: Mention any five services that have significant tangible elements attached to them and five goods that have service element attached to them

NATURE AND CHARACTERISTICS OF SERVICES

(i) Perish-Ability

Service is highly perishable and time element has great significance in service marketing. Service, ifnot used in time, is lost forever. Service cannot be stored.

(ii) Fluctuating Demand

Service demand has high degree of fluctuations. The changes in demand can be seasonal or by weeks, days or even hours. Most of the services have peak demand in peak hours, normal demand and low demand on off-period time.

(iii) Intangibility

Unlike product, service cannot be touched or sensed, tested or felt before they are availed. A service is an abstract phenomenon.

(iv) Inseparability

Personal service cannot be separated from the individual and some personalised services are created and consumed simultaneously.

For example hair cut is not possible without the presence of an individual. A doctor can only treat when his patient is present.

(v) Heterogeneity

The features of service by a provider cannot be uniform or standardised. A Doctor can charge much higher fee to a rich client and take much low from a poor patient.

(vi) Pricing of Services

Pricing decision about services is influenced by perish-ability, fluctuation in demand and inseparability. Quality of a service cannot be carefully standardised. Pricing of services is dependent on demand and competition where variable pricing may be used.

(vii) Service quality is not statistically measurable

It is defined in form of reliability, responsiveness, empathy and assurance all of which are in control of employee’s direction interacting with customers. For service, customer’s satisfaction and delight are very important. Employees directly interacting with customers are to be very special and important. People include internal marketing, external marketing and interactive marketing.

Team assignment – marketing of non-profit organization Consider that your CE center is non- profit organization. How does marketing in non-profit organization differ from that in profit – oriented organizations? Discuses, to which extend the marketing principles can be applied and try to identify 2 marketing procedures which fit mostly for non-profit organizations.

KEY DIFFERENCES BETWEEN GOODS AND SERVICES

The basic differences between goods and services are mentioned below:

1. Goods are the material items that the customers are ready to purchase for a price. Services are the amenities, benefits or facilities provided by the other persons.
2. Goods are tangible items, i.e., they can be seen or touched whereas services are intangible items.
3. When the buyer purchases the goods by paying the consideration, the ownership of goods moves from the seller to the buyer. Conversely, the ownership of services is non-transferable.
4. The evaluation of services is difficult because every service provider has a different approachof carrying out services, so it is hard to judge whose services are better than the other as compared to goods.
5. Goods can be returned to or exchanged with the seller, but it is not possible to return or exchange services, once they are provided.
6. Goods can be distinguished from the seller. On the other hand, services and service provider are inseparable.
7. A particular product will remain same regarding physical characteristics and specifications,but services can never remain same.
8. Goods can be stored for future use, but services are time bound, i.e., if not availed in the giventime, then it cannot be stored.
9. First of all, the goods are produced, then they are traded and finally consumed, whereasservices are produced and consumed at the same time.

SELF-ASSESSMENT

Fill in the blanks:

i. Teaching is a service.

ii. Bathing soap is a pure tangible ....

iii. Clothes come under the category of goods.

iv. Manicure and Pedicure are types of goods.

MARKETING MIX – 7 PS

1. PRODUCT:

The service product requires consideration of the range of services provided, the quality of services provided and the level of services provided. Attention will also need to be given to matters like the use of branding, warranties and after-sale service. The service product mix of such elements can varyconsiderably and may be seen in comparisons of service range between a small local building societyand one of the largest in the country; or between a small hotel offering a limited menu range and a four-star hotel offering a wide range of meals.

2. PRICE:

Price considerations include levels of prices, discounts allowances and commissions, terms of payment and credit. Price may also pay a part in differentiating one service from another and therefore the customers perceptions of value obtained from a service and the interaction of price and quality are important considerations in many service price sub mixes.

3. PLACE:

The location of the service providers and their accessibility are important factors in services marketing. Accessibility relates not just to physical accessibility but to other means of communication and contact. Thus, the types of distribution channels used (e.g. travel agents) and their coverage is linked to the crucial issue of service accessibility.

4. PROMOTION:

Promotion includes the various methods of communicating with markets whether through advertising, personal selling activities, sales promotion activities and other direct forms of publicity, and indirect forms of communication like public relations.

Expanded mix for services: Because services are usually produced and consumed simultaneously, customers are often present in the firm's factory, interact directly with the firm's personnel, and are actually part of the service production process. Also, because services are intangible customers will often be looking for any tangible cue to help them understand the nature of the service experience.

These facts have led services marketers to conclude that they can use additional variables to communicate with and satisfy their customers. For example, in the hotel industry the design and decor of the hotel as well as the appearance and attitudes of its employees will influence customer perceptions and experience.

Acknowledgment of the importance of these additional communication variables has led services marketers to adopt the concept of an expanded marketing mix for services shown in the three remaining columns in Table 2.1. In addition to the traditional four Ps, the services marketing mix includes people, physical evidence, and process.

5. People:

All human actors who play a part in service delivery and thus influence the buyer's perceptions: namely, the firm's personnel, the customer, and other customers in the service environment. All of the human actors participating in the delivery of a service provide cues to the customer regarding the nature of the service itself. How these people are dressed, their personal appearance their attitudes and behaviors all influence the costumers perceptions of the service.

The service provider or contact person can be very important. In fact, for some services, such as consulting, counselling, teaching, and other professional relationship – based services, the provider is the services. In other cases, the contact person may play what appears to be a relatively small part in service delivery, for instance, a telephone installer, an airline baggage handler, or an equipment delivery dispatcher. Yet research suggests that even these providers may be the focal point of service encounters that can prove critical for the organization.

6. Physical Evidence:

The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service. The physical evidence of service includes all of the tangible representations of the services – such as brochures, letterhead, business cards, report formats, signage, and equipment. In some cases, it includes the physical facility where the service is offered, for example, the retail bank branch facility.

In other cases, such as telecommunication services, the physical facility maybe irrelevant. In this case other tangibles such as billing statements and appearance of the repair truck may be important indicators of quality. Especially when consumers have little on which to judge the actual quality of service they will rely on these cues just as they rely on the cues provided by the people and the service process. Physical evidence cues provide excellent opportunities for the firm to send consistent and strong messages regarding the organization's purpose, the intended market segments, and the nature of the service.

7. Process:

The actual procedures, mechanism and flow of activities by which, the service is delivered the service delivery and operating systems. The actual delivery steps the customer experiences, or the operational flow of the service, will also provide customers with evidence on which to judge the service.

Some services are very complex, requiring the customer to follow a complicated and extensive series of actions to complete the process. Highly bureaucratized services frequently follow this pattern, and the logic of the steps involved often escapes the customer.

Another distinguishing characteristic of the process that can provide evidence to the customer is whether the service follows a production-line/standardized approach or whether the process is an empowered/customized one. None of these characteristics of the service is inherently better or worse than another.

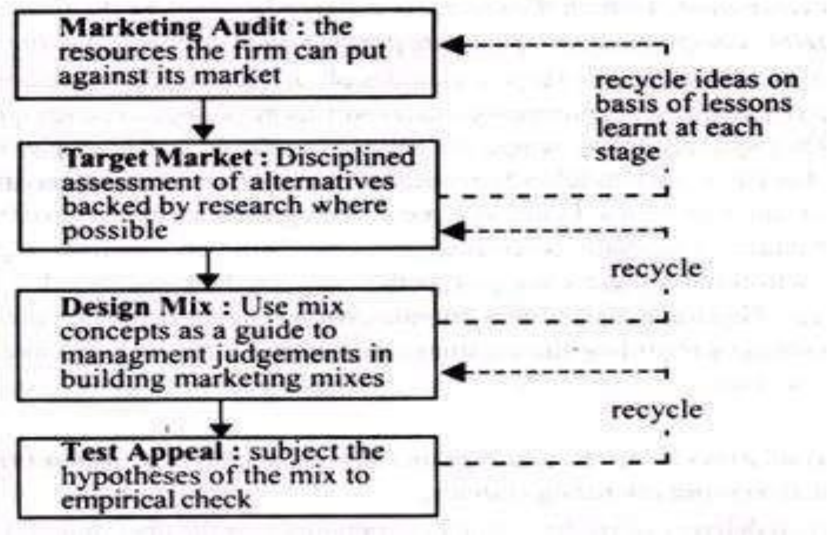
Rather, the point is that these process characteristics are another form of evidence used by the consumer to judge service. For example, two successful airline companies, Southwest in the United States and Singapore Airlines, follow extremely different process models. Southwest is no-frills (no food, no assigned seats), no exceptions, low-priced airline that offers frequent, relatively short length domestic flights.

All of the evidence it provides is consistent with its vision and market position. Singapore Airlines, on the other hand, focuses on the business traveler and is concerned with meeting individual traveler needs. Thus, its process is highly customized to the individual, and employees are empowered to provide nonstandard service when needed. Both airlines have been very successful.

The three new marketing-mix elements (people, physical evidence, and process) are included in the marketing mix as separate elements because they are within the control of the firm and any or all of them may influence the customer's initial decision to purchase a service, as well as the customer's level of satisfaction and repurchase decisions.

Certainly, Marketing managers in services markets need to undertake research about the markets and market segments for which their respective marketing mixes are shaped. Wherever possible the services marketing manager will need to research and analyses the characteristics of the markets served. It is these problems of conducting such analysis and research that we now examine
(Figure 2.1).

Figure 2.1 : BUILDING THE MARKETING MIX



1. Developing a marketing strategy involves two tasks. These are selecting target markets and formulating marketing mixes.
2. In services marketing adaptations and adjustments may be required, although the processes of devising marketing strategies and formulating marketing mixes are similar irrespective of market type.
3. In the analytical stage preceding strategy formulation, common questions posed about all productsmay give rise to different answers for services.
4. The marketing mix may have to be revised for use in services contexts. In particular people, processes and physical evidence may have to be incorporated into the marketing mix framework.

SELF-ASSESSMENT

State whether the following statements are true or false:

i. Courier services are low contact services.
ii. Teaching is a high contact service.
iii. Hair cutting service is provided by unskilled personnel.
iv. Fast food restaurant services are high on extent of physical goods content.

SUMMARY

- Services have become an integral part of any economy, its infrastructure, and have become indispensable to urban life.

- Services marketing is marketing based on relationship and value. It may be used to market a service or a product. Marketing a service-base business is different from marketing a product-base business.
- There are four special characteristics of services: intangibility, perishability, variability and inseparability.
- A customer cannot see, touch, or feel the service product. There is also no scope for the customer to make impulse purchase decisions as triggered by visual images and the touch- and-feel factor ñ which are not any way possible in intangible service offers.
- These are the ways in which intangibility can be overcome: Visualization, Association, Physical Representation and Documentation.
- The perishability factor prevents a service marketer from storing his offers. This robs him of the privilege of delayed sales. The service marketer suffers from lost opportunities. Methods to overcome perishability are: over-marketing, managing demand and managing supply.
- Variability conveys to the customer an element of inconsistency and non-standardization in the service offer and service delivery. The customized service encounters are different every time. This can be overcome by training of internal customers, proper recruitment and selection of other customers, training of external customers and automation.
- Services can be differentiated from products based on factors such as the nature of the product, customer involvement in the production process, people as part of the product, quality control problems, difficulty in evaluation, absence of inventories, importance of the time factor, and nature of distribution channels.

KEYWORDS

Experience Goods: Goods (services) that need to be experienced before you can evaluate them.

High Contact Services: Service providers have high degree of contact with the customers.

Low Contact Services: Services characterized by very low contact with people.

Perishability: It refers to the fact that (in general) services cannot be produced and stockpiled(inventoried) before consumption.

Search Good: A Product with features and characteristics easily evaluated before purchase.

Service: A Type of economic activity that is intangible, is not stored and does not result inownership.

Service Marketing: Marketing based on simple relationship and value.

REVIEW QUESTIONS

1. Services are now an integral part of any economy’s infrastructure and have becomeindispensable to urban life. Substantiate with suitable examples.
2. Suppose you are the marketing head of a chain of discotheques. What measures willyou take to add an element of tangibility to your service?
3. The customer’s service encounters are different every time. Comment
4. Suggest ways to overcome the problem of standardization in a multi-

cuisinerestaurant.
5. Compare and Contrast service and product marketing. Give examples.
6. Market has variety of offers ranging from pure goods to pure services. In light of this statement explain the product-service continuum.
7. Do you think that classification of services can help in developing the marketing strategy better? How?
8. With tangibility and intangibility on either ends of a continuum, can you identify services which can be classified along this continuum? Select one of those services used by you as an individual, as family and as an organisation.
9. On a product-service continuum place the following items: automobile, fast food meal, pizza delivery, auto repair, advertising agency, computer, counselling and installed carpeting.
10. In which category would you put the following services? Give reasons also:

    a. A day care centre
    b. Chartered bus service
    c. Tele-shopping
    d. Repair and maintenance services

MULTIPLE CHOICE QUESTIONS

1. A____is a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.

a. Service b. Demand c. Need d. Physical object

2. Distinct characteristic of services is___________________

a. Intangibility b. Inseparability c. Variability d. Perishability

3. All of the following are examples of services except:

a. banking. f. b. hotels and motels. g.
c. tax preparation. h. d. computer software.

4. Services are typically produced and consumed simultaneously. This is an example of the……..characteristicof services.

a. Intangibility b. Variability
c. Inseparability d. Simultaneously e. Perishability

5. Services cannot be stored. This describes the _____characteristic of services.

a. Intangibility b. Variability
c. Inseparability d. Inconsistency e. Perishability

6. Examples of pure tangible goods include all of the following except:

a. Soap. b. Tax preparation.
c. Toothpaste. d. Salt.

7. **_____describes the employee‟s skills in serving the client.**

   a. Internal Marketing b. External Marketing
   c. Relationship marketing d. Interactive marketing
   e. Communication Marketing

9. **The services a customer expects are called the___________service package.**

   a. Expected b. Augmented
   c. Primary d. Secondary e. Perceived

10. **The fact that a business traveller may have one very positive check-in experience at a hoteland then a very negative check-in experience with a different employee on a subsequent visitis evidence of service:**

    a. intangibility. b. inseparability.

    c. variability. d. perishability. 13. Added features

10.3 INTERNATIONAL MARKETING

International marketing refers to marketing carried out by companies overseas or across national borders. This strategy uses an extension of the techniques used in the home country of a firm.

International marketing is simply the application of marketing principles to more than one country. However, there is a crossover between what is commonly expressed as international marketing and global marketing, which are similar terms.

The intersection is the result of the process of internationalization. Many American and European authors see international marketing as a simple extension of exporting, whereby the marketing mix 4Ps is simply adapted in some way to take into account differences in consumers and segments. It, then, follows that global marketing takes a more standardized approach to world markets and focuses upon sameness, in other words the similarities in consumers and segments.

According to American Marketing Association (AMA), international marketing is the multinational process of planning and executing the conception, pricing, promotion, and distribution of ideal goods and services to create exchanges that satisfy individual and organizational objectives.

In this unit and subsequent units, you will learn various aspects of international marketing. You must note that in the definition, the word multinational has been added to the definition of marketing given by other experts. That word implies that marketing activities are undertaken in several countries and such activities should somehow be coordinated across nations.

Concept of International Marketing

When a business crosses the borders of a nation, it becomes complex. International marketing involves all the activities that form part of domestic marketing. An enterprise engaged in international marketing has to correctly identify, assess and interpret the needs of the overseas customers and carry out integrated marketing operations to satisfy those needs. In other words, the basic functions are the same in international marketing as well as in domestic marketing.

At the same time, there are several characteristics that are unique to international marketing. When the business crosses the national borders of a given country, it becomes enormously more complex. The resulting problems and management situations transcend those of marketing, finance and production. A wide range of legal, political, cultural and sociological dimensions enter the picture, adding a lot of complexity to the task. And, the one factor that contributes maximum to the complexity is the environmental and cultural dynamics of the global markets.

The word ‗International Marketing' is defined as the exchange of goods and services across national borders to meet the requirements of the customers. It includes customer analysis in foreign countries and identifying the target market. The major participants in international marketing are as follows −

- **Multinational Corporations (MNCs)** − A multinational corporation (MNC) is an organization that ensures the production of goods and services in one or more countries other than its home country. Such organizations have their offices, help desks or industrial set-up across nations and usually have a centralized head office where they co-ordinate global management.

- **Exporters −** They are the overseas sellers who sell products, and provide services acrosstheir home country by following the necessary jurisdiction.

- **Importers** − They are the overseas buyers who buy products and services from exporters by complying with the jurisdiction. An import by one nation is an export from the other nation.

- **Service companies** − A service company generates revenue by trading on services and not on physical commodities. A public accounting company is the best example of a service company. Revenue here is generated by preparing returns of income tax, performing audit services, and by maintaining financial records.

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. A company that engages in global marketing focuses resources on global market opportunities and threats. Successful global marketers such as Nestle, Coca-Cola, and Honda use familiar marketing mix elements – the four Ps – to create global marketing programs.

Marketing, R&D, manufacturing, and other activities comprise a firm's value chain; the value equation (V =B/P) expresses the relationship between values and the marketing mix.

Global companies also maintain strategic focus while pursuing competitive advantage. The marketing mix, value chain, competitive advantage, and focus are universal in their applicability, irrespective of whether a company does business only in the home country or has a presence in many markets around the world. However, in a global industry, companies that fail to pursue global opportunities risk being pushed aside by stronger global competitors.

A firm‘s global marketing strategy (GMS) can enhance its worldwide performance. The GMS addresses several issues. First is nature of the marketing program in terms of the balance between a standardization (extension) approach to the marketing mix and a localization (adaptation) approach that is responsive to country or regional differences. Second is the concentration of marketing activities in a few countries or the dispersal of such activities across many countries. Companies that engage in global marketing can also engage in coordination of marketing activities. Finally, a firm's GMS will address the issue of global market participation.

The importance of global marketing today can be seen in the company rankings compiled by the Wall Street Journal, Fortune, Financial Times, and other publications. Whether ranked by revenues, market capitalization, or some other measure, most of the world's major corporations are active regionally or globally. The size of global markets for individual industries or product categories help explain why companies go global‖. Global markets for some product categories represent hundreds of billions of dollars in annual sales; other markets are much smaller. Whatever the size of the opportunity, successful industry competitors find that increasing revenues and profits means seeking markets outside the home country.

Company management can be classified in terms of its orientation toward the world: ethnocentric, polycentric, region-centric, or geocentric. The terms reflect progressive levels of development or evolution. An ethnocentric orientation characterizes domestic and international companies; international companies pursue marketing opportunities outside the home market by extending various elements of the marketing mix. A polycentric worldview predominates at a multinational company, where the marketing mix is adapted by country managers operating autonomously. Managers at global and transnational companies are region-centric or geocentric in their orientation and pursue both extension and adaptation strategies in global markets.

Stages of Domestic to Global Evolution

Management emphasis	Stage one Domestic	Stage two International	Stage three Multinational	Stage four Global
Focus	Domestic	Ethnocentric	Polycentric	Geocentric
Marketing strategy	Domestic	Extension	Adaption	Extension
Structure	Domestic	International	Worldwide area	Adaption creation matrix/ mixed
Management style	Domestic	Centralised top down	Decentralised bottom up	Integrated
Manufacturing stance	Mainly domestic	Mainly domestic	Host country	Lowest cost worldwide
Investment policy	Domestic	Domestic used worldwide	Mainly in each host country	Cross subsidization
Performance evaluation	Domestic market share	Against home country market share	Each host country market share	Worldwide

The dynamic interplay of several driving and restraining forces shapes the importance of global marketing. Driving forces include market needs and wants, technology, transportation and communication improvements, product costs, quality, world economic trends, and recognition of opportunities to develop leverage by operating globally. Restraining forces include market differences, management myopia, organizational culture, and national controls such as nontariff barriers (NTBs).

The international marketing would involve

a) Identifying needs and wants of customers in international markets.
b) Taking marketing mix decisions related to product, pricing, distribution and communication, considering diverse consumers and market behaviour across different nations of the world on one hand and firms goals towards globalization on the other hand.
c) Entering into international markets through moves.
d) Taking marketing decisions considering dynamic international environment.

INTERNATIONAL MARKETING VS. DOMESTIC MARKETING

The striking difference between international and domestic marketing lies in the environment in which these to take place. The important points of differences between international and domestic marketing are:

1. ***Sovereign Political Entities:*** Each country is a sovereign political entity and, therefore, they for importing and exporting the goods and services in order to safeguard their national interest impose several restrictions. The traders in international marketing have to observe such restrictions. These restrictions may fall in any of the following categories:

(i) Tariffs and customs duties on import and export of goods and services in order to make them costly in the importing country and not to ban their entry into the country completely. In the post war period, the efforts of General Agreement on Tariffs and Trade (GATT) there has been a significant reduction in tariff globally and on regional basis due to the emergence of regional economic groupings.

(ii) Quantitative restrictions are also imposed with an intention to restrict trade in some specific commodities. The major objective behind the restriction is the protection of home industries from the competition of the foreign commodities.

(iii) Exchange control is another restriction imposed by almost every sovereign state. The Government, in some cases, does not ban the entry of goods in the country but the importer is not allowed the necessary foreign exchange to make the payment for the goods imported. But, in some cases, exchange control and quantitative controls are put together along with the grant of import license.

(iv) Imposition of more local taxes on imported goods with an object to make the imported goods costly is one of the restrictions in international marketing.

2. ***Different Legal Systems:*** Different countries operate different legal systems and they all differ from each other. Most of the countries follow English Common Law as modified from time to time. Japan and Latin American countries are important exceptions to this rule. The existence of different legal systems makes the task of businessmen more difficult as they are not sure about the particular system will apply to their transactions. This difficulty does not arise in the domestic trade, as the laws are same for the whole country.

3. ***Different Monetary Systems:*** Each country has its own monetary system and the exchange rates for each country's currency are fixed under the rules framed by the International Monetary Fund and, therefore, they are more or less fixed. However, in recent years the exchange rates are fluctuating and are being determined by demand and supply forces. Some countries operate multiple rates; i.e., different rates are applicable to different transactions.

4. ***Lower Mobility Factors of Production:*** Mobility of different factors of production is less as between nations than in the country, itself. However, with the advent of air transport, the mobility of labour has increased manifold. Similarly, the development of international banking has increased the mobility of capital and labour. In spite of these developments, the mobility of labour and capital is not as much as it is within the country itself.

5. ***Differences in Market Characteristics:*** Market characteristics in each segment are different,

   i.e., demand pattern, channels of distribution, methods of promotion, etc. are quite different from market to market. If we take each country a separate market, we can assume different market characteristics there. These differences are accentuated due to the existence of government controls and regulations. However, this is a difference of degree only. Even in one single country.

Example: India and America these differences in market patterns may be found from state tostate.

6. ***Differences in Procedure and Documentation:*** The centuries old laws and customs of trade in each country demand different procedures and documentary requirements for the import and export of the goods and services. The traders residing in the territory have to comply with these regulations and customs if they want import and export of goods and services.

SELF ASSESSMENT

State whether the following statements are true or false:

i. The main objective of imposing quantitative restrictions on imports is to increase thedemand for homemade items.
ii. The mobility of labour and capital in the international market is smoother than in thedomestic market.

Task: Trace the journey of Unilever and P&G, right from their inception till date covering how they became global giants and what major marketing initiatives they took that helped them to be major players in India.

CHARACTERISTICS

Following are the Important Features of International Marketing:

1. In International Markets all the marketing related activities and transactions are always conducted on very large scale. This gives a different level of confidence to the nations for handling their scale of operations not only in production but also for transportation, warehousing and handling of those produced products as well.
2. International Marketing is really a complicated activity as it requires not only a knowledge of the different laws of the different countries but an interaction with a mixed range of people from different backgrounds and cultures. Multinational Companies are well-organized and have a strong monetary support which helps them in playing a dominating role in the international markets. Thus, the major players in the International Markets are the advanced and the multinational countries of theworld.
3. International marketing is not a free activity for all the nations like any other form of internal marketing. There are international trade barriers that still exist in these markets. Various countries have got their own marketing and trade related policies in order to protect their own industries from this. But still the fact remains the same that there are many restrictions to it.
4. International marketing is highly flexible activity in nature. Anything can happen in this type of market either related to product, technology or regarding competitors in the global market. But the main fact is that this particular type of market is flexible to tackle because of economic and political reasons.
5. International Marketing is also very competitive in nature as one has to face competitions from competitors both inside and outside the country. It has to deal with many other changes and challenges like political, social, economic, cultural, technical, technological and cultural factors of various countries of the world together. Thus, there should be continuous marketing research activities conducted in the international markets in order to keep all the countries updated with the current changes and happenings.
6. Use of advanced technology helps to make the international marketing very dynamic too in nature. And just because of this reason various countries like the China, Germany Japan, and USA are considered as the dominating nations in the international market.
7. International marketing most of the time results in creating complications and confusions as it require many lengthy procedures and formalities to be completed by the nations involved in the same. It requires various types of supports from various institutions like:

a. Advice from professional experts.
b. Financial support from financial agencies and institutions.
c. Focused marketing institutions like import and export houses.
d. Exchange banks for monetary gains and transactions.

8. International marketing requires long term planning and lots of investment of time and finance, in order to get the success in future. This stresses the need for, long term planning, taking into account every possible change in anyone or all of these.

General Reasons for Entering International Market

1. **Growth on saturation of domestic market:** In order to find out other marketing opportunities elsewhere, firms enter international market.
2. **To earn more profit:** There exists difference in price for a product in different markets. Due to stiff competition in local market, firms profit gets reduced. In such situation exporters benefits owing to more profit margin in foreign/international market in price. Differences in price and enhanced profits in the international market are chief reasons for exporting.
3. **Decreasing the risk:** If a firm is restricting its marketing activities to home country only then it is prone to economic upheavals. International markets decrease dependence on domestic home market and reduces risk associated with market failure.
4. **Availing imported inputs:** Government provides incentive schemes that leads to duty exemption or remission on import of inputs for export production such as advance licensing, duty drawbacks, duty exemption, export promotion, capital goods scheme etc. such provisions help the firm in obtaining imported items and technical know how to improve their current operations and become more competitive.
5. **Product characteristics:** Each product passes through product lifecycle stages. When a product enters in to decline stage in a particular market, a firm may decide to introduce it in new internationalmarket. At the same time some unique products, e.g., Ayurvedic medicines may be appropriate for specific international markets.

CASELET: CARPET INDUSTRY IN INDIA

In this era of globalisation, every company and every industry want to go global. India also wants to sell carpets to the foreign markets. This can only be done through exports. When the profits in the exports increase, we go in for International Marketing, which lead to internationaltrade and international business. How does it happen? This happens only when our company becomes international, multinational and Transnational.

The carpet industry at present is passing through international marketing stage. The carpets thatare exported follow the concept of Ethnocentricity. In order to make the carpet industry an MNC the export of carpets have to increase to more than $ 100 million turn over per annum. This can only happen in case this industry is properly organized and given more incentives by the Government being a labour- intensive industry. The question of its becoming Transnational cannot arise unless this industry falls in the hands of MNC itself and a large number of carpet weavers are trained on a large scale through Carpet Management Schools which is a far of dream. However, effort should be made to give more incentives to the carpet weavers so that the child labour in this industry is completely abolished and the objection of theimporters on the use of child labour is removed.

LICENSING

Licensing is a process of creating and managing a contract between the owner of a brand and a company which wants to use the brand in association with its product. It refers to that permission as well which is given to an organization to trade in a particular territory. Licensing further has different channels namely.

FRANCHISING

It is that form of business where the owner of a firm or the franchiser distributes his products and services through affiliated dealers or the franchisees. Franchising comes with its own benefits. The franchiser here provides brand name, right to use a developed business concept, expertise, and also the equipment and material required for the business.

For example, Domino's Pizza, Pizza Hut, and McDonald‘s are a few fast food chains we can‘t do without. They have a significant presence around the world. However, they have standard recipes and follow the same techniques across all the branches. Such aspects are governed and monitored by the main branch or the franchiser.

TURNKEY CONTRACTS

It is a type of project which is constructed and sold to buyer as a complete product. Once the project is established and handed over to the buyer, the contractor no more holds any ownership over it.

For example, the local government has published an invitation for contractors to make proposals or put in their tenders for the construction of a highway. Many contractors put forth their proposals and the best out of all is chosen. The contractor is assigned the task of constructing the highway. A certain amount is paid in cash to the contractor after negotiation. The government promises to pay the remaining amount after the completion of the project. After the work is finished, the contractor hands over the project to the concerned government. This is an example of turnkey contracts.

INTERNATIONAL AGENTS AND DISTRIBUTORS

The companies or individuals who handle the business or market representing their home country in some foreign countries are called international agents and distributors. These agents may work with more than one enterprise at a time. So, their level of commitment and dedication towards achieving their goals should be high.

International distributors are like international agents; the only thing that makes them different is that the distributors claim ownership over the products and services whereas agents don't.
For example, travel agents who book tickets and deal with the passport and visa issues of their clients are international agents. Amway with its large variety of products being distributed in more than one country is an example of international distributor.

STRATEGIC ALLIANCES

A large number of companies share the international market ground collaboratively. These companies collaborate while remaining apart and distinct based on non-equity strategic alliance. The companies may or may not belong to the same countries.
For example, Maruti Suzuki's is a strategic alliance between the Government of India, under the United Front (India) coalition and Suzuki Motor Corporation, Japan.

JOINT VENTURES

When two parties having distinct identities come together to establish a new company it is known asa joint venture. The profit gained and also the loss incurred by the company is shared or borne by both the parties.

For Example, Hulu is a profitable joint venture extremely popular as a video streaming website. It is a joint venture of NBC Universal Television Group (Comcast), Fox Broadcasting Company (21st Century Fox), and Disney-ABC Television Group (The Walt Disney Company).

OVERSEAS MANUFACTURE OR INTERNATIONAL SALES SUBSIDIARY

When a company invests in a new project, plant or machinery overseas, i.e., at the global level, it is said to be undertaking overseas manufacturing. The major advantage is that the business suits the existing local standards, and the products match with the demands of the customers of that particulararea.

International Sales Subsidiary is to a certain extent like overseas manufacturing. However, it is less risk prone when compared to overseas manufacturing. It comes with its own set of benefits too. It possesses the characteristics of a distributor authorized by a local company. A project or plant established in some foreign country but governed by a different company in the home country is international sales subsidiary. This is also referred to as Foreign Direct Investment (FDI).

We have learnt about the different modes of entry into the international market and we can summarize it by marking the stages of internationalization. Some companies do not aim to expand their business overseas and thus need not worry about single stage but enterprises who tend to expand their business globally need to consider the stages represented above through various modes.

SELF-ASSESSMENT

Fill in the blanks

i. ________is the primary route for entry into the global markets.
ii. Many firms stop with this step in their ....marketing endeavour.
iii. It is obvious that the difference between and international marketing is essentially environmental and cultural in character.
iv. The international marketer has to become a native in the land. He has to communicate with the people of those lands in their lingo and idiom.

v. International marketing involves all the ....that form part of domestic marketing.

MARKET ORIENTATION:

Activity	Domestic Marketing	Export Marketing	International Marketing	Multinational marketing	Global Marketing
Marketing focus	Domestic	Overseas (targeting and entering foreign markets)	Differentiation in country markets by way of developing or acquiring new brands	Consolidation of operations on regional basis. Gain from economies of scale	Consolidating firms operations on global basis.
Orientation	Ethnocentric	Ethnocentric	Polycentric	Regiocentric	Geocentric
Marketing mix decision	Focused on domestic customers	1. Focused mainly on domestic customers. 2. Overseas marketing; generally an extension of domestic marketing.	1. Developing local products depending upon country needs. 2. Decisions by individual subsidiaries .	1. Product standardization within region but notacross them.	Globalization of marketing mix decision with local variations. Joint decision making across firms global operations.
		3. Decisionsmade at head quarter.			

IMPORTANCE

The attainment of business exercises monitoring, directing and controlling the channel of a company’s products and services to its customers at the global level to earn profit and satisfy the demands internationally is the motto of international marketing.

The main advantages of international marketing are discussed below −

- **Provides higher standard of living**

  International marketing ensures high standard life style and wealth to citizens of nations participating in international marketing. Goods that cannot be produced in home country due to certain geographical restrictions prevailing in the country are produced by countries which have abundance of raw material required for the production and also have no restrictions imposed towards production.

- **Ensures rational & optimum utilization of resources**

  Logical allocation of resource & ensuring their best use at the international level is one of themajor advantages of international marketing. It invites all the nations to export whatever is available as surplus. For example, raw material, crude oil, consumer goods and even machinery & services.

- **Rapid industrial growth**

  Demand for new goods is created through international market. This leads to growth in industrial economy. Industrial development of a nation is guided by international marketing. For example, new job opportunities, complete utilization of natural resources, etc.

- **Benefits of comparative cost**

  International marketing ensures comparative cost benefits to all the participating countries. These countries avail the benefits of division of labour and specialization at the international level through international marketing.

- **International cooperation and world peace**

  Trade relations established through international marketing brings all the nations closer to one another and gives them the chance to sort out their differences through mutual understanding. This also encourages countries to work collaboratively with one another. This thereby designs a cycle wherein developed countries help developing countries in their developmental activities and this removes economic disparities and technological gap between the countries.

- **Facilitates cultural exchange**

  International marketing makes social and cultural exchange possible between different countries of the world. Along with the goods, the current trends and fashion followed in one nation pass to another, thereby developing cultural relation among nations. Thus, cultural integration is achieved at global level.

- **Better utilization of surplus production**

  Goods produced in surplus in one country are shipped to other countries that have the need for the goods in international marketing. Thus, foreign exchange of products between exporting country and importing countries meets the needs of each other. This is only possible if all the participating countries effectively use surplus goods, service, raw material, etc. In short, the major advantages of international marketing include effective utilization of surplus domestic production, introduction of new varieties of goods, improvement in the quality of production & promotion of mutual co-operation among countries.

- **Availability of foreign exchange**

  International marketing eases the availability of foreign exchange required for importing capital goods, modern technology and many more. Essential imports of items can be sponsored by the foreign exchange earned due to exports.

- **Expansion of tertiary sector**

  International marketing promotes exports of goods from one country to another encouraging industrial development. Infrastructure facilities are expanded through international marketing. It indirectly facilitates the use of transport, banking, and insurance in a country ensuring additional benefits to the national economy.

- **Special benefits at times of emergency**

  Whenever a country faces natural calamities like floods and famines, it is supported by other countries in the international market. The international market provides emergency supply of goods and services to meet urgent requirements of the country facing the calamity. This distribution can only be facilitated by a country which has surplus imports.

A company exporting goods to other foreign countries earns substantial profit through exportoperation as domestic marketing is less profitable than international marketing. The loss a company suffers in domestic marketing can be compensated from the profit earned through exports in international marketing. Foreign exchange can be earned by exporting goods to foreign countries. Thus, the profit earned can be used for the import of essential goods, new machinery, technology, etc. This would further facilitate large-scale export in future.

- **Summary**

This unit attempts to give an overview of the functions in as simple manner as possible.

- International marketing is the process of focusing the resources and objectives of a company on marketing opportunities at international level. Companies are engaged in international marketing for two reasons: firstly, to take advantage of opportunities of growth and expansion, and secondly, to eventually lose their domestic markets because they will be pushed aside by stronger and more competitive international competitors.

- The basic goals of marketing are to create customer value and competitive advantage by maintaining focus. Company management can be classified in terms of its orientation towards the world: ethnocentric, polycentric, Region-centric, and geocentric.

- An ethnocentric orientation characterises domestic and international companies that pursue marketing opportunities outside the home market by extending various elements of the marketing mix. A polycentric would view predominates at a multinational company, where country managers operating autonomously adapt the marketing mix.

- Managers at international and Transnational companies are Region-centric or geocentric in their orientation and pursue both extension and adaptation strategies in international markets.
- Today, the importance of international marketing is shaped by the dynamic interplay of several driving and restraining forces. The former include market needs and wants, technology, transportation improvements, costs, quality, international peace, world economic growth, and recognition of opportunities to develop leverage by operating internationally. Restraining forces include market differences, management myopia, organisational culture and national controls.

KEYWORDS

Domestic Marketing: It is the form of marketing in which the firm faces only one set ofcompetitive, economic and market issues.

Ethnocentric Orientation: In this people consider his home country superior to rest of the world.

Geocentric Orientation: This orientation views entire world as one big potential market.

Global Marketing: The performance of business activities that direct the flow of goods andservices to consumers or users in more than one nation.

International Marketing: It is the performance of marketing across two different countries. **Marketing:** It is the performance of business activity, directing the flow of products fromproducer to consumer.

Multinational Corporations: Organizations that manage production or offer services in morethan on country.

Polycentric Orientation: This orientation believes that every country is unique.

Region-centric Orientation: This orientation believes that each region is unique.

Exporting - common first step for many manufacturing firms later, firms may switch to another mode

Turnkey projects - the contractor handles every detail of the project for a foreign client, including the training of operating personnel at completion of the contract, the foreign client is handed the "key" to a plant that is ready for full operation

Licensing - a licensor grants the rights to intangible property to the licensee for a specified time period, and in return, receives a royalty fee from the licensee patents, inventions, formulas, processes, designs, copyrights, trademarks

Franchising - a specialized form of licensing in which the franchisor not only sells intangible property to the franchisee, but also insists that the franchisee agree to abide by strict rules as to how it does business used primarily by service firms

Joint ventures with a host country firm - a firm that is jointly owned by two or more otherwise independent firms most joint ventures are 50:50 partnerships

Wholly owned subsidiary - the firm owns 100 percent of the stock set up a new operationacquire an established firm

❖ CHECK YOUR PROGRESS

- **REVIEW QUESTIONS**

1. How is international marketing different from domestic marketing?
2. How can creating value for customer and customer focus give competitive

advantage tothe companies?
3. What is the importance of international marketing? Explain in brief.
4. What are _Do's and don'ts for success in International Marketing? How should the firmexecute the dos and don'ts in the context of marketing?
5. Why is the task of the international marketer more complex and difficult than that of thedomestic marketer?
6. Distinguish among (a) domestic marketing; (b) foreign marketing; (c) comparativemarketing; (d) international trade; (e) international marketing; (f) multinational marketing;
7. (g) global marketing and (h) world marketing.
8. Distinguish among (a) ethnocentricity, (b) polycentricity and (c) geocentricity.
9. What are the basic economic reasons which might influence a firm's decision or motivate afirm to plunge into international marketing?

❖ **Multiple Choice Questions**

1. Ethnocentrism can simply be defined as:

a. Developing a simple diverse strategy for new markets
b. Develop one strategy for all countries worldwide
c. Use everywhere the same strategy as at home.
d. Being ethnically centred on a global scale

2. Different strategies are suitable for different companies depending on their particular situation. This is articulated by the "EPRG Framework". What are the four options of the EPRG Framework?

a. Ethno Policies, Private Polies, Racial Policies, Geography
b. Ethnocentrism, Polycentrism, Regioncentrism, Geocentrism
c. Energy, Privacy, Real-World, Giggity
d. Ethnocentrism, Polycentrism, Racialism, Governmental

3. All of the following are actual modes of market-entry EXCEPT:

a. Licensing
b. Standardization
c. Franchising
d. Exporting

4. Conditions that may encourage an organization in a domestic environment to expandare:

a. Market Saturation, Slow Population, Growth, Product Adolescence
b. Factors related to the firm's industrial sector, or to the company itself and its products
c. A unique product with a strong competitive advantage, a forward-looking managerial philosophy, corporate objectives calling for rapid growth, as well as of the right of talents and skills for international operations
d. All of the above

5. _______usually means that the company sells to a customer in another country, be it an intermediary or an end-customer.

a. Indirect exporting
b. Direct Exporting
c. Franchising
d. Cross selling

6. One of the following is not among the main internal factors affecting the choice formarket entry mode:

a. Product
b. Firm Size
c. International Experience
d. Demand Uncertainty

7. The main advantage of employing a differentiation strategy in international marketslies in that:

a. the focus is taken away from price
b. consumers in foreign markets pay less for the same product
c. it enables brand stretching and extension
d. imitators cannot reduce margins

10.4 RURAL MARKETING

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas.

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. Go rural is the marketer’s new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets.

Thus, looking at the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

Since ancient times, Indian villages had the concept of village markets popularly known as the village *haats*. The *haats* are basically a gathering of the local buyers and sellers. The barter system was quite prevalent, which still continues in a number of places even today. *Haats* are basically a weekly event, and are central to the village economy.

DEFINITIONS:

MARKETING:

Identifying the needs of customers and potential customers, providing products/services that satisfy their needs, and developing efficient processes or systems to deliver your product/service to the market when, where, and how consumers want it.

RURAL MARKETING:

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

India is a land of diversity and about 70% of the population lives in villages. To a large extent, villages contribute towards the economic development of the nation through the production of food grains, vegetables, fruits etc. Export of these agricultural products generate capital and earnings fromforeign exchange.

There are approximately 600,000 big and small villages in India according to rural market researchers. 25% of villages account for 65% of the total rural population. So we can calculate 65% of 700 million populations by from only 150,000 villages – which becomes a huge potential of this market. If we go by statistics, around 70% of the Indian population lives in the rural areas. This accounts to almost 12% of the world population. To expand the market by making inroads into the countryside, more number of MNCs are getting into India's rural markets. Among those are the bigshot companies like Hindustan Lever, Coca-Cola, Pepsi, LG Electronics, Britannia, Philips, Colgate Palmolive and the foreign-invested telecom companies as well.

Rural marketing involves a bunch of processes that includes developing, pricing, promoting, distributing rural specific product and service which satisfies the consumer demand and also achieves organizational objectives as expected from the target market. It is basically a three-way marketing stage where the transactions can be:

- **Urban to Rural**: It is a process of selling the products and services by urban marketers in rural areas. These products mostly include pesticides, FMCG products, consumer durables, etc.
- **Rural to Urban:** It is a process where a rural producer sells his products in urban market. This may or may not be direct, but mostly there are middlemen, agencies, government co-operatives etc. who take initiatives in the successful running of the selling process happen successfully in an appropriate price.
- **Rural to Rural:** It is a process which includes selling or exchange of agricultural products, tools, cattle, carts and others to another village in its proximity.

CHARACTERISTICS OF RURAL MARKETING:

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified are as follows:

1. Large and scattered population:

According to the 2001 census, 740 million Indians forming 70 per cent of India‘s population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

2. Higher purchasing capacity:

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

3. Market growth:

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.

4. Development of infrastructure:

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

5. Low standard of living:

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

6. Traditional outlook:

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

7. Marketing mix:

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

Tasks:

1. Make a list of popular brands in the rural market and rate them.
2. Find out differentiated products, which have been introduced in the rural market.

CLASSIFICATION OF RURAL CONSUMERS

The rural consumers are classified into the following groups based on their economic status:

- **The Affluent Group:** They are cash rich farmers and a very few in number. They have affordability but not form a demand base large enough for marketing firms to depend on. Wheat farmers in Punjab and rice merchants of Andhra Pradesh fall in this group.

- **The Middle Class:** This is one of the largest segments for manufactured goods and is fast expanding. Farmers cultivating sugar cane in UP and Karnataka fall in this category.

- **The Poor:** This constitutes a huge segment. Purchasing power is less, but strength is more. They receive the grants from government and reap the benefits of many such schemes and may move towards the middle class.

The farmers of Bihar and Orissa fall under this category. Profile of rural consumers IMRB (Indian Market Research Bureau) and NCAER –(National Council for Applied Economic Research) have made available a few studies based on which rural consumers profile can be arrived at.

Literacy: 23% of rural Indian population is literate and people are getting added to this list year afteryear. There are still some villages which are underdeveloped. Maximum education is primary school or in some cases high school. To this group the marketing promotional strategy to be adopted is demonstration of product features and advantages. Print media and posters do not make any impact.

Income: An average rural consumer has a much lower income than his urban counterpart. The disposable income has increased in the recent years to considerable extent. In spite of this, thecommon traits of rural consumers are low purchasing power, low standard of living, low per capita income and low economic and social positions.

Density: Rural population is scattered across 7 lakh villages. This implies that rural demand isscattered and urban demand is concentrated.

Influencers: There are many reference groups in a village. These include teacher, doctor, panchayat members, health workers, bank manager and co-operative board workers. These influencers need to be kept in mind when a marketer decides on rural marketing.

Occupation: The main occupation is agriculture. The size and ownership of land determines the basis for differentiation and consumption patterns.

Culture: Rural consumers are traditional in their outlook. They associate faster with messages that match their cultural behaviour.

Language: English is not a language of rural India. Hence a marketer should aim for communicationin the local language.

Media Habits: Television, radio, video and theatre are some of the traditional media that a rural consumer identifies with. The above are some of the factors that differentiate the rural consumer from his urban counterpart. A marketer has to decide on all the above parameters while designing a marketing plan.

CHANGING PROFILE OF RURAL CONSUMERS

Rural consumers as studied are dependent on agriculture and were not very literate about products and services available. This scenario is slowly changing due to increase in literacy and disposable income. Not long ago, rural consumers went to a nearby city to buy`` branded products and services". Only select household consumed branded goods, be it tea or jeans.

Earlier, big companies flocked to rural markets to establish their brands. Rural markets today are critical for every marketer - be it for a branded shampoo or a television. Earlier marketers thought of van campaigns, cinema commercials and a few wall paintings to entice rural folks under their folds. Today a customer in a rural area is quite literate about myriad products that are on offer in the market place, thanks to television. Many companies are foraying into the rural markets and educating them on newer products and services.

The rural youth today are playing a far more significant role in influencing the purchase decisions. They travel frequently out in the village and are the drivers of purchase decisions regarding radios, television (black and white as well as color), automobiles and other goods. They may not be the end customers but often are the people who influence the purchase of high value products and they decide on which brands to choose. Penetration levels of consumer durables in the rural sector have risen dramatically in the last decade or so. Even the rural woman is coming out of the closet. She is exercising her choice in selecting categories - the choice of brands may still be with the males of the household. The prerogative of making the final purchase decisions stills rests with the chief male. In other words, the chief wage earner‖ syndrome still applies in the rural markets.

INFLUENCING THE RURAL CONSUMERS

The biggest challenge today is to develop a scalable model of influencing the rural consumers' mind over a large period of time and keep it going. This needs to be achieved in a limited or a reasonable budget. That's where the marketers who really understand rural markets and advertising agencies canmake a difference and develop a scalable media/communication model. The mass media has the drawback that the time gap between the point of exposure and the time of purchase is long. Hence it is difficult to use it in rural communication. The most important element in rural communications is that the marketer has to integrate 3 things in communication.

1. Exposure of a message
2. Trial or demonstration
3. Final sale.

There is minimal brand loyalty in rural consumers. This is mainly due to a bigger problem of brand recognition. There are a lot of looks alike in the rural market. The challenge is to create communication that would help the rural consumer in recognizing brands, logos, visuals, colors, etc., so that he or she actually buys the actual brand and not something else

GROWTH AND ROLE OF RURAL MARKETING

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

Market size

India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of per cent since 2000. The Fast-Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US$ 20 billion mark by 2018 and reach US$ 100 billion by 2025@.

Recent Developments

Following are some of the major investments and developments in the Indian rural sector.

- India's unemployment rate has declined to 4.8 per cent in February 2017 compared to 9.5 per cent in August 2016, as a result of the Government's increased focus towards rural jobs and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.
- The Ministry of Rural Development is expecting to achieve its annual targeted length of 48,812 kilometers of rural roads by March 31, 2017 under the Pradhan Mantri Gram Sadak Yojana (PMGSY), which has reached a completion stage of 67.53 per cent (32,963 kms) as on January 27, 2017.
- The National Bank for Agriculture and Rural Development (NABARD) plans to provide around 200,000 point-of-sale (PoS) machines in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to enable farmers to undertake cashless transactions.
- Magma Fincorp, a Kolkata-based non-banking finance company (NBFC) plans to expand its operations in South India, with specific focus on rural and semi-urban markets to help the company grow rapidly.

- Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bankas a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of India's financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as moneytransfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

GOVERNMENT INITIATIVES

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.

- The Government of India has approved the proposal to construct 10 million houses for the rural population, which will require an investment outlay of Rs 81,975 crore (US$ 12.7 billion) for the period from 2016-17 to 2018-19.

- The Government of India aims to provide tap water regularly to every household by 2030 in line with United Nations Sustainable Development Goals, requiring a funding of Rs 23,000 crore (US$ 3.57 billion) each year until the target is met.

- The Government has introduced various reforms in the Union Budget 2017-18 to uplift the rural markets. Some of the key highlights of the Budget are:

  - ✓ Rs 187,223 crore (US$ 28.08 billion) has been allocated towards rural, agriculture andallied sectors.

  - ✓ The Allocation for Pradhan Mantri Aawas Yojana-Gramin has been increased from Rs 15,000 crore (US$ 2.25 billion) to Rs 23,000 crore (US$ 3.45 billion) in the year 2017-18 with a target to complete 10 million houses for the houseless by the year 2019.

  - ✓ The pace of roads construction under Pradhan Mantri Gram Sadak Yojana (PMGSY) has been accelerated to 133 kms per day as against an average of 73 kms per day during the years 2011-14.

  - ✓ The allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been Rs 48,000 crore (US$ 7.2 billion) in the year 2017-18, which is the highest ever allocated amount.

- The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as to enable delivery of services like health and education in far-flung areas.

- In the Union Budget 2017-18, the Government of India mentioned that it is on course to achieve 100 per cent village electrification by May 1, 2018.

- The Government of India has sought Parliament’s approval for an additional expenditure of Rs 59,978.29 crore (US$ 8.9 billion), which will be used to support the government‘s rural jobs scheme, building rural infrastructure, urban development and farm insurance.

Road Ahead

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smartphones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.

Market research firm Nielsen expects India's rural FMCG market to reach a size of US$ 100 billion by 2025. Another report by McKinsey Global Institute forecasts the annual real income per household in rural India to rise to 3.6 per cent 2025, from 2.8 per cent in the last 20 years.

EMERGING TRENDS IN MARKETS

Most of the dealers have direct touch with the local farmers; these farmers need awareness about pests, decease, fertilizers, seeds, technology and recent developments. For this information, farmers mostly depend on local dealers.

ONLINE RURAL MARKET (INTERNET, NICNET)

Rural people can use the two-way communication through on – line service for crop information, purchases of Agri-inputs, consumer durable and sale of rural produce online at reasonable price. Farm information online marketing easily accessible in rural areas because of spread of telecommunication facilities all over India. Agricultural information can get through the Internet if each village has small information office.

CHALLENGES OF RURAL MARKETING

Rural markets, as part of any economy, have untouched potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non- availability of retail outlets are major problems faced by the marketers. The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have failed miserably. This is because most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes, and needs of the rural consumersshould be analyzed at the product planning stage so that they match the needs of the rural people.

Therefore, marketers need to understand the social dynamics and attitude variations within eachvillage though nationally it follows a consistent pattern. The main problems in rural marketing are:

- Understanding the Rural Consumer
- Poor Infrastructure
- Physical Distribution
- Channel Management
- Promotion and Marketing Communication

There has been a considerable amount of discussion on rural India of late and the opportunity itpresents and one almost gets tired of the rate at which CK Prahlad is being quoted these days. Rural India definitely does present immense opportunity but for everyone trying to make millions out of it,there are a few words of caution on the challenges that the landscape presents.

1. **Distribution and logistics:** Infrastructure continues to be a challenge in rural India. Moreover, the lack of an efficient distribution network prevents penetration of products/ services into rural India. One of the most innovative models in recent times has been the usage of the postal service by mobile operators to penetrate scratch cards to the villages. The Indian Postal Service with 155000 post offices is the largest distribution network in the world, and has all of 120000 outlets in India's villages.

2. **Payment collection:** The majority of the rural population is still unbanked. Clearly, non- cash collection becomes rather unlikely. Cash collections, on the other hand, are messy and difficult to monitor, especially since cash cards or technology-enabled centralized POS (like Suvidha or ItzWorld) have still not reached rural areas. The time-tested manufacturer- distributor-retailer network has been the only real success so far but setting up such a structure is rarely feasible. Partnering with MFIs comes to mind but often, the MFIs don’t cater to the relatively more privileged/affluent segments of the rural economy who are likely to be early adopters.

3. **Pricing:** While Sachet pricing may have worked very well for Chik shampoo, the overheads involved in payment collection do not always allow easy execution of sachet pricing. It is easier to collect in larger amounts as every instance of collection and carrying of cash has associated costs. Disposable income, though, isn’t always high since the bulk of rural India is agricultural and income cycles in agricultural are very erratic and not as predictable as in the case of salaried individuals.

4. **Scaling across geographies:** If India is a land of many cultures, the contrast becomes that much starker in the case of rural India. Setting up operations on a pan-India level presents different types of hurdles in different states ranging from political juggling to downright local factors. Any model where scalability involves scaling on-ground operations (and not merely an increase in downloads) is bound to run into myriad issues as we move from one state to the next. Add to that the greater differences in consumer tastes and behavior across geographies than in the relatively more cosmopolitan urban population.

5. **Developing inorganic scale:** Developing synthetic scale through partnerships typically results in larger overheads in the rural context. Finding the right partner with reach and presence in villages is difficult to start with. More

importantly, there are very few players who are strong on these counts across multiple geographies. Hence, a pan-India rollout typically requires multiple partnerships resulting in higher partner management overheads.

6. **Social and cultural challenges:** The cyber café (or kiosk) model has not worked in many parts of rural India due to socio-cultural issues. One of the reasons for the failure of the kiosk model in Kuppam (HP i-community) was the lack of usage by women which was largely due to their discomfort in going to kiosks run by men.

SELF-ASSESSMENT

Fill in the blanks:

i. The majority of the rural population is still ....
ii. The time-tested manufacturer-distributor-retailer network has been the only real success sofar but setting up such a structure is rarely ....
iii. The dependence of villagers on farm income that varies with the fluctuations in rainfalls sovitally required for ....
iv. The government has enacted laws against child marriages and ....

RURAL PRODUCTS

Most products required in cities are also needed in the rural markets (with few exceptions), as given below:

a. FMCG products like cosmetics, food items, cooking oil, kerosene, and medicines
b. Consumer durables like refrigerators, stoves, motor cycles
c. Farm products like tractors, harvesters, seeders, seeds, fertilizers, and diesel, water supply for household use including drinking purposes and for watering farms
d. Services like, health clinics, water supply, electricity, eateries, inns / Housing
e. Pricing in rural markets is tricky because the companies spend more on transporting the products as compared to transporting them to the cities. However, the paying power in rural areas is much less. Companies can, therefore, plan to have low-cost packaging with a bit of attractive glitter while keeping the product unchanged in most cases. The companies can work out the rural customers MTBP (Mean Time Between Purchase). They will find that the rural customer will stretch the purchase time much longer. This would be true for most FMCG products. Food items, however, would be needed as per household requirements. The business, however, will snowball because of the sheer numbers of buyers in villages.

PRODUCT PROMOTION IN RURAL MARKETS

Products are kept for sale at the grocers shops, diesel/kerosene dealers, and tractor repair shops. Besides, companies sell through mobile vans that cover the villages mostly on the days of their weekly markets. These vans carry advertising materials, audio-visual equipment for showing movies besides company‘s advertisements and the products for sale, and also samples like shampoo sachets for test marketing of the products.

Product promotion in rural markets is done through the vans. Besides, the radio, which has a wide coverage as it covers the entire country geographically, is used. Television reach has increased of late and with better electricity availability it has become a good option, more especially because of its universal appeal. Pamphlets, loudspeaker announcements during weekly markets, mostly on roaming rickshaws, and banners on elephants and camels are used in many areas.

Villages need schools, as the literacy levels are still low. Technical and computer education is becoming increasingly important even in villages. There is a great need for libraries, bookstores and newspapers, magazines in local languages.

Income levels in the rural India can be described as follows:

a. High in certain areas for rich land-owning farmers
b. Low for farmers with small lands
c. Very low for farm hands and migratory farmers

Village industries, especially cottage and small-scale industries, handlooms, milk farming, and sheep rearing need governmental support or infusion of cooperatives in these areas. The Amul example must be replicated in other parts of the country. The village Bania, who has been the proverbial loan shark, is fast disappearing as a tribe and yet the rural banking needs much more thrust. A number of banks have started branches in villages, though they are affected by non- availability of collaterals for giving loans to farmers. Farm insurance would go a long way in settling this problem it is hoped. Bad crops further derail the interest payments leading to bad debts that retard the progress for which the banks have been setup.

STRATEGIC CHALLENGE – UNDERSTANDING CUSTOMERS" NEEDS

Customers have needs, which are obvious, like the need for food, clothing, and shelter. Some of these needs are explicitly mentioned like the need of a house. However, what is real is the need of the house in a locality close to the farm, school and shopping area. Besides, the unstated need could be of a pucca brick house.

Firms face the challenges of new competition, both local and global, and of new technologies as they cater to consumers in business-to-business areas and as individuals. In order to ascertain the product needed by the consumers, market research is undertaken, which offers information about the product, price, placement, i.e., distribution system needed and the methods of communicating information about the product to, the consumers, i.e., by advertising and promotion, that are among the famous 4 Ps of marketing.

In order to prepare the right 4 Ps, firms define their market segment in which the product would be best accepted. The firms try to understand the exact needs of the segment in order to be able to meet the same. In order to build loyal customers firms are trying relationship marketing, to ensure that consumers feel obligated to buy the same product again and again. Quantity discounts, free gifts are some of the means to build relationships with the consumers. Since the competition is doing exactly the same, it is the firm with better strategy, which wins. Changes from the earlier concepts of production orientation, to product orientation and later on to market orientation has helped firms in fine tuning their marketing strategies to suit the consumers from their chosen market segment. The concept of providing socially acceptable products, which do not affect the biodiversity, and whichare not ecologically degrading the environment is gaining ground rapidly.

UNIQUE SELLING PROPOSITION

Companies do a cost benefit analysis before planning marketing communication as the advertising, promotion and personal selling revolve around the USP. A single product benefit well-advertised can capture the customers imagination and get firmly planted in their psyche. Attitudes, beliefs and purchase decisions are taken due to such mindsets. However, at times multi-benefit communication can be used to further focus the product into the psyche. Products need to be differentiated for achieving distinctive competitive advantage. The differentiation can be made in product itself, and inthe following areas:

a. Product features
b. Service, both sales service and after sales service
c. Quality, both static structure and dynamic specifications
d. Consistency of quality
e. Reliability of product and service
f. Availability of spares and repair facility
g. Customer training in proper use of the product
h. Channel members personnel
i. Advertising campaigns

Bajaj Auto has quietly launched the Boxer 150 in India. The Boxer BM150 is powered by a 150cc engine (no DTSi or the likes here) and tuned for more torque, rather then outright power. Priced at 42,000/- (ex-showroom, Pune), the Boxer's only USP is its loading carrying capacity. All drum brakes, electric start and an analog speedometer adorn this 'Bharat' bike. The Boxer is designed for use and abuse in all kinds of terrain. The Boxer's 150 cc engine produces 12 PS of power and 12.26 Nm of torque, almost 50% more than the standard 100 cc bikes. Bajaj claims that the Boxer features a rugged frame, swing arm and chassis. The all metal body parts, twin spring SNS suspension, bigger tyre and a heavy duty carrier ensure the Boxer is at home in most terrains. The differentiation in any or several of these areas needs to be highlighted for the customer to take notice. Products have to be categorized as distinctive, affordable, showcasing buyers’ life style as an intelligent and experienced buyer.

CASELET: COCA COLA BASE IN INDIAN RURAL MARKET

The case focuses on the rural marketing initiatives undertaken by the cola major - Coca Cola in India. The case discusses the changes brought about by Coca Cola in distribution, pricing and advertising to make inroads into rural India. The case also discusses the concept of rural marketing, the hidden opportunity and its characteristics in a developing country like India. Further, it also provides details about its biggest competitor PepsiCo's rural marketing initiatives.

SELF ASSESSMENT

State whether the following statements are true or false:

i. Unique Selling Propositions (USP) involve presenting a theme with the product to attract theclient to buy that particular product.
ii. The buyer in rural markets should be selected from the educated unemployed villagers,trained well and appointed as salesmen.
iii. Urban marketing is thus a time-consuming affair and requires considerable investments interms of evolving appropriate strategies with a view to tackle the problems.
iv. Vertical communication to these villages is highly expensive.
v. The size of the market organization and staff is very important, to manage market systemeffective control.

SUMMARY

The rural market of India is fascinating and challenging at the same time. It offers large scope on account of its sheer size and it is growing steadily. Even a small growth can push up the sales of a product substantially, in view of the huge base despite the fact that there are enormous amount of problems. It is an attractive market from this angle also that the urban market is highly competitive, the rural market is relatively quiet. In fact, for certain products, it is a totally virgin market. Economic reforms in India have brought about major changes in the whole market environment. With these changes, rural marketing will become an important playground for our marketers. Successful rural marketing calls for a review of the rural marketing environment, developing proper understanding of the nature and profile of rural consumers, designing the right products to appeal to them, and adopting suitable media as well as appropriate strategies for communication and distribution. It is generally believed that markets are created, not found. This is especially true in case of the rural market of India. It is a market for the truly creative marketer.

KEYWORDS

Agricultural inputs: All the products which are used in agriculture sector and are responsible for better productivity in farming such as chemical fertilizers, quality seeds, tractors, engines, and other irrigational equipment’s, etc.

Green revolution: The revolution in the field of agriculture where productivity in this sector increased by leaps and bounds. Adoption of new technology, multiple cropping, and other commercial activities have helped in increasing disposable income of normal consumers.

Warehousing: A storage function which is necessary for consumption cycles for agricultural commodities which are used seasonally.

Branding: Any name, term, symbol, design or combination of these which differentiate the product of one producer from the competitors.

Mahajans: The business people who deal with the villagers at local level. These people lend the money and other facilities to the villagers.

Cost Leadership: Product manufacturing cost have a major bearing on how well it can be sold in the market. If all competitive products are equally acceptable to the customers, the firm with lower cost will gain advantage over competitors.

Differentiation: As customers are always looking for products, which are different from other similar products, sellers try to give a little modification in the product or service, or distribution to make a marked change from the run of the mill operations.

Patents and Patent Laws: If the manufacturer is making a product for which he has a Registered Patent under the country's Patent laws, than he can feel secure that other competing firms will not be able to use the same design in their manufacturing process and the firm can enjoy monopoly situation at least till the expiry of the Patent.

Payment Collection: The majority of the rural population is still unbanked. Clearly, non-cash collection becomes rather unlikely. Cash collections, on the other hand, are messy and difficult to monitor, especially since cash cards or technology-enabled centralized POS have still not reached rural areas.

Quality Standards: Firms, find out through market surveys the correct specification of the product they plan to make. These specifications are then converted to manufacturing standards and firms have to keep meeting these specifications for each unit produced by them.

REVIEW QUESTIONS

1. Define rural marketing. How will you add value to rural marketing?
2. Explain the factors, which have made rural markets attractive.
3. How does rural marketing differ from urban marketing?
4. What qualities should a rural marketer possess?
5. Provide suitable guidelines to companies planning to go rural.
6. What are the problems related to rural marketing?
7. What are the significance of Rural Markets?

❖ MULTIPLE CHOICE QUESTIONS

1. The demand of Goods and Services in India depends largely on?

a) Agricultural b) Rain Fall c) Inflation d) Income

2. ___Media have greater effect than the impersonal ones in Rural Marketing.

a) Personal b) Impersonal c) Direct d) Indirect

3. India is a land of Agriculture and most of population resides in___.

a) Cities b) Villages c) Urban Areas d) Towns

4. Which of the following is Behaviouristic base of Rural Market Segmentation?

a) Age b) Gender c) Size of Family d) Occasion and Festival

5. Which of the following is Demographic base of Rural Market Segmentation?

a) Occasion and Festival b) Gender

c) Loyalty towards company d) Size of Packing

6. Which of the following is Geographic base of Rural Market Segmentation?

a) Market Location b) Gender c) Size of packing d) Education

7. Which if the following is component of selection of communication mix.

a) Television b) Radio c) Exhibition d) All of the above

8. In Rural Area Prices should be affordable to the customers.

a) True b) False

9. Literacy rate can also affect the purchasing behaviour in Rural areas.

a) True b) False

10. Village people generally sell their products in Haats and Melas.

a) True b) False

10.5 GREEN MARKETING

Introduction to Green Marketing

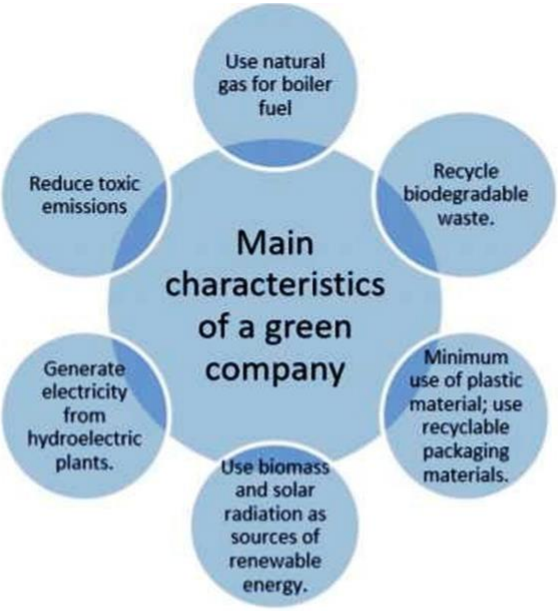
The negative impact of human activities over environment is a matter of concern today. Governments all over the world making efforts to minimize human impact on environment. Today our society is more concerned with the natural environment. Understanding the society's new concerns businesses have begun to modify their behaviour and have integrated environmental issues into organizational activities. Academic disciplines have integrated green issues in their literature. This is true with marketing subject too, and the terms like "Green Marketing" and "Environmental Marketing are included in syllabus. Governments all over the world have become so concerned aboutgreen marketing that they have attempted to regulate them.

Definition and Meaning of Green Marketing

Definition according to American Marketing Association: Green marketing is the marketing of products that are presumed to be environmentally safe.

According to Polanski 1994,Green or Environmental Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such thatthe satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment.

Green Marketing incorporates broad range of activities including product modification, changes to the production process, packaging changes, and modifying advertising. Green marketing focuses on satisfaction of customer needs and wants with no or minimum harm to the natural environment.



GREEN MARKETING MIX

A model green marketing mix contains four Ps:

- **Product**: A producer should offer ecological products which not only must not contaminate the environment but should protect it and even liquidate existing environmental damages.

- **Price**: Prices for such products may be a little higher than conventional alternatives. But target groups like for example LOHAS are willing to pay extra for green products.

- **Place**: A distribution logistics is of crucial importance; main focus is on ecological packaging. Marketing local and seasonal products, e.g., vegetables from regional farms is easier to be marketed ―green‖ than products imported.

- **Promotion**: A communication with the market should put stress on environmental aspects, for example that the company possesses a CP certificate or is ISO 14000 certified. This may be publicized to improve a firm's image. Furthermore, the fact that a company spends expenditures on environmental protection should be advertised. Third, sponsoring the natural environment is also very important. And last but not least, ecological products will probably require special salespromotions.

Additional social marketing Ps that are used in this process are:

- **Publics**: Effective Social Marketing knows its audience, and can appeal to multiple groups of people. Public is the external and internal groups involved in the program. External publics include the target audience, secondary audiences, policymakers, and gatekeepers, while the internal publics are those who are involved in some way with either approval or implementation of the program.

- **Partnership**: Most social change issues, including green initiatives, are too complex for one person or group to handle. Associating with other groups and initiatives to team up strengthens the chance of efficacy.

- **Policy**: Social marketing programs can do well in motivating individual behavior change, but that is difficult to sustain unless the environment they're in supports that change for the long run. Often, policy change is needed, and media advocacy programs can be an effective complement to a social marketing program.

- **Purse Strings**: How much will this strategic effort cost? Who is funding the effort?

The level of greening—strategic, quasi-strategic, or tactical—dictates what activities should be undertaken by a company. Strategic greening in one area may or may not be leveraged effectively in others. A firm could make substantial changes in production processes but opt not to leverage them by positioning itself as an environmental leader. So, although strategic greening is not necessarily strategically integrated into all marketing activities, it is nevertheless strategic in the product area.

	Tactical greening	Quasi-strategic greening	Strategic greening
Targeting	Ads mentioning green features are run in green-focused media.	A firm develops a green brand in addition to its other brands.	A firm launches a new Strategic Business Unit (SBU) aimed at the green market.
Green design	A firm switches from one raw material supplier to another with more eco-friendly processes.	Life-cycle analysis is incorporated into the eco-design process to minimize eco-harm.	E.g. **FUJI XEROX** develops its Green Wrap paper to be more eco-friendly from the ground up.
Green positioning	E.g. a mining company runs a Public Relations (PR) campaign to highlight its green aspects and practices.	E.g. **British Petroleum (BP) AMOCO** redesigns its logo to a sun-based emblem to reflect its view to a hydrogen/solar-based future of the energy industry.	E.g. the BODY SHOP pursues environmental and social change improvements and encourages its consumers to do so as well.
Green pricing	Cost-savings due to existing energy-efficiency features are highlighted for a product.	E.g. a water company switches its pricing policy from a flat monthly rate to a per-unit-of-water-used basis.	A company rents its products rather than selling; consumers now pay only for use of the product.
Green logistics	A firm changes to a more concentrated detergent, which.	Packaging minimization is incorporated as a part of a firm's manufacturing review process.	A reverse logistics system is put into place by FUJI XEROX to reprocess and remanufacture copiers.
Marketing waste	A firm improves the efficiency of its manufacturing process, which lowers its waste output.	E.g. **TELSTRA** (a phone company) has internal processes so that old telephone directories (waste) are collected and turned into cat litter products by other companies.	E.g. a Queensland sugar-cane facility is rebuilt to be cogeneration based, using sugar-cane waste to power the operation.
Green promotion	An oil company runs a PR campaign to highlight its green practices in order to counter an oil spill getting bad press coverage.	A company sets a policy that realistic product eco-benefits should always be mentioned in promotional materials.	As a part of its philosophy the **BODY SHOP** co-promotes one or more social/eco campaigns each year with in-shop and promotional materials.
Green alliance	A company funds a competition (one-off basis) run by an environmental group to heighten community awareness on storm water quality issues.	E.g. **SOUTHCORP** (a wine producer forms a long-term alliance with the Australian Conservation Foundation to help combat land-salinity issues.	A company invites a representative of an environmental group to join its board of directors.

NEED AND IMPORTANCE OF GREEN MARKETING

It is well known that increasing production and business activities are polluting the natural environment. Damages to people, crops, and wildlife is reported in different parts of the world. As resources are limited and human wants are unlimited, it is necessary for marketers to use resources efficiently, so that organizational objectives are achieved without waste of resources. So green marketing is inevitable. There is growing interest among people around the world regarding protection of natural environment. People are getting more concerned for environment and changing their behaviour for the protection of environment. As a result of this, the term "Green Marketing" hasemerged. Hence, marketers are feeling their responsibility towards environment and giving importance to green marketing.

Not only marketers but consumers are also concerned about the environment, and consumers are also changing their behaviour pattern. Now, individual as well as industrial consumers are becoming more concerned about environment-friendly products.

BASICALLY, GREEN MARKETING CONCERNS WITH THREE ASPECTS:

1. Promotion of production and consummation of pure/quality products,
2. Fair and just dealing with customers and society, and
3. Protection of ecological environment.

Global ecological imbalance and global warming (also global cooling) have called upon environmentalists, scientists, social organisations, and alert common men to initiate the concrete efforts to stop further deterioration of ecological environment. The World Bank, the SAARC, the UNO, the WHO, and other globally influential organisations have started their efforts to promote and practice green marketing. The world environment summit at Copenhagen (2009) is the mega event that shows the seriousness of ecological imbalance.

To increase awareness, 5th June is declared as the World Environment Day. Green marketing emphases on protection of long-term welfare of consumers and society by production and use of pure, useful, and high-quality products without any adverse effect on the environment. Mass media have started their campaign for protecting the earth from further deterioration. Worldwide efforts are made to conserve natural water resources.

Thus, green marketing is a marketing philosophy that promotes production and selling of pure (eco- friendly) products with protection of ecological balance. Green marketing involves multiple activities. Green Marketing encourages production of pure products by pure technology, conservation of energy, preservation of environment, minimum use of natural resources, and more use of natural foods instead of processed foods. Efforts of people, social organisations, firms, and governments in this regard can be said as green marketing efforts.

GREEN MARKETING – EXAMPLES:

Corporate are going green from the grassroots level to sustain and win the customers, expectations. The environment is becoming increasingly an important part of the corporate reputations and they are actively participating in greening the corporate strategy. Companies have converted almost all the products to make them eco-friendly products. Following are the recent environment friendly initiatives taken by the companies.

EXAMPLE # 1. MARUTI SUZUKI:

The company has been promoting 3 R since its inception. As a result, the company has not only been able to recycle 100% of treated waste water but also reduced fresh water consumption. The company has implemented rain water harvesting to recharge the aquifers. Also, recyclable packing for bought out components is being actively promoted.

The country's largest car manufacturer had managed to slash energy consumption per car at its Gurgaon factory by 26 per cent over the past six years, while its carbon dioxide (CO_2) emissions during car manufacturing processes has come down 39 per cent in the past five years. The model with gas as fuel was adopted by Maruti Suzuki India Limited as their Green Marketing practices.

EXAMPLE # 2. BHARAT PETROLEUM:

Bharat Petroleum launched a programme to cut production of greenhouse gases by 10% across its units worldwide and achieved it much ahead of schedule. Cleaner fuels such as Greener Diesel (ultra-low sulphur content) and BP Autogas were developed. Almost all of its plants are ISO 14001 certified. Currently it is running a programme to contain its net emissions at current levels for ten years.

EXAMPLE # 3. HINDUSTAN PETROLEUM:

Hindustan Petroleum owns a massive e-waste recycling plant, where enormous shredders and granulators reduce four million pounds of computer detritus each month to bite-sized chunks the firststep in reclaiming not just steel and plastic but also toxic chemicals like mercury and even some precious metals. HP will take back any brand of equipment; its own machines are 100 percent recyclable. It has promised to cut energy consumption by 20 percent by 2010.

EXAMPLE # 4. PROCTOR & GAMBLE:

Laundry detergents are also touting energy savings. Proctor & Gamble's (P&G) newest market entry, Tide Coldwater, is designed to clean clothes effectively in cold water. About 80 to 85 percent of the energy used to wash clothes from heating water.

EXAMPLE # 5. ITC:

ITC has been Carbon Positive for three years in a row sequestering/ storing twice the amount of CO_2 than the Company emits. It has been Water Positive six years in a row creating three times more Rainwater Harvesting potential than ITCs net consumption. It has obtained close to 100% solid waste recycling. All Environment, Health and Safety Management Systems in ITC conform to the best international standards. ITCs businesses generate livelihoods for over 5 million people.

ITCs globally recognized e-Choupal initiative is the world's largest rural digital infrastructure benefiting over 4 million farming families. ITCs Watershed Development Initiative brings precious water to nearly 35,000 hectares of dry lands and moisture-stressed areas. ITCs Sustainable Community Development initiatives include women empowerment, supplementary education, integrated animal husbandry programmes.

EVOLUTION OF GREEN MARKETING: 3 STEPS

Source: https://www.step2sustainability.eu/docs/Unit11.pdf

GREEN MARKETING EFFORTS AND MANAGERIAL IMPLICATIONS

Green Marketing – Important Trends in India

1. Organizations perceive environmental marketing to be an opportunity that can be used to achieveits objectives.
2. Organizations believe they have a moral obligation to be more socially responsible.
3. Governmental bodies are forcing firms to become more responsible.
4. Competitors environmental activities pressure firms to change their

environmental marketingactivities.

5. Cost factors associated with waste disposal or reductions in material usage forces firms to modifytheir behaviour.

Green Warming – Proposed Solution:

The solution to this problem lies in ―Going Green‖ in our thoughts, behaviour and actions.

The consumers and corporations need to focus on clean and environment friendly products andservices.

To elaborate on the "Green" Terminology:

1. Green Product is non-toxic and is made from recycled material. There is no absolute green product. However, the products, which consume less energy, cause less pollution and are biodegradable, belong to this category. Thus Green‖ is a relative term.
2. Green Service fulfills the philosophy of sustainable development, improving and maintaining the quality of life for people without compromising the environment.
3. Green Washing‖ is the process of making products and services ―Green‖ in all respects.

To make products and services green the businesses need to focus on bringing the green in various aspects such as:

i. Supply Chain
ii. Packaging
iii. Raw Material
iv. Product Innovations

GREEN MARKETING – REASONS FOR ADOPTION OF GREEN MARKETING BY THE FIRMS:

Green marketing has been widely adopted by the firms worldwide and the following are the possiblereasons cited for this wide adoption:

1. Opportunities:

As demands change, many firms see these changes as an opportunity to be exploited and have a competitive advantage over firms marketing non-environmentally responsible alternatives.

Some examples of firms who have strived to become more environmentally responsible, in anattempt to better satisfy their consumer needs are:

I. McDonald replaced its clam shell packaging with waxed paper because of increased consumer concern relating to polystyrene production and ozone depletion.
II. Tuna manufacturers modified their fishing techniques because of the increased

concern overdriftnet fishing, and the resulting death of dolphins.

III. Xerox introduced a high quality recycled photocopier paper in an attempt to satisfy the demands of firms for less environmentally harmful products.

2. Governmental Pressure:

As with all marketing related activities, governments want to –protect‖ consumers and society; this protection has significant green marketing implications.

Governmental regulations relating to environmental marketing are designed to protectconsumers in several way:

I. Reduce production of harmful goods or by-products.
II. Modify consumer and industry's use and/or consumption of harmful goods.
III. Ensure that all types of consumers have the ability to evaluate the environmental composition ofgoods.

Governments establish regulations designed to control the number of hazardous wastes produced byfirms.

3. Competitive Pressure:

Another major force in the environmental marketing area has been firms desire to maintain their competitive position. In many cases firms observe competitors promoting their environmental behaviours and attempt to emulate this behaviour. In some instances, this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behaviour.

For example, it could be argued that Xerox's Revive 100% Recycled paper was introduced a few years ago in an attempt to address the introduction of recycled photocopier paper by other manufacturers. In another example when one tuna manufacturer stopped using driftnets the others followed suit.

4. Social Responsibility

Many firms are beginning to realize that they are members of the wider community and therefore must behave in an environmentally responsible fashion. This translates into firms that believe they must achieve environmental objectives as well as profit related objectives. This results in environmental issues being integrated into the firm's corporate culture.

There are examples of firms adopting both strategies. Organizations like the Body Shop heavily promote the fact that they are environmentally responsible. While this behaviour is a competitive advantage, the firm was established specifically to offer consumers environmentally responsible alternatives to conventional cosmetic products.

5. Cost or Profit Issues:

Firms may also use green marketing in an attempt to address cost or profit related issues. Disposing of environmentally harmful by-products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and, in some cases, difficult.

Therefore, firms that can reduce harmful wastes may incur substantial cost savings. When attempting to minimize waste, firms are often forced to re-examine their production processes. In these cases, they often develop more effective production processes that not only reduce waste, but reduce the need for some raw materials. This serves as a double cost savings, since both waste and raw material are reduced.

To integrate sustainability and to increase the customers loyalty, the company has to adopt the following rules:

THINK BROADLY ABOUT THE CONSUMERS	Avoiding the tendency to categorise and limit the sustainability audience as a niche eco or concerned consumer. Many consumers do not label themselves as green or eco even though they may be concerned about similar environmental issues.
INNOVATIVE APPROACH	Sustainability is no longer limited to the corporate function of the business. The companies should creativly think on ways to connect with customers at the product level and to solve sustainability issues by adopting innovative pathways.
INTEGRATE THE BRANDS	Sustainability can only be incorporated into the brand when it is at the core of the business activity. Any integration needs to apply both environmental and social factors to business operations.
PRICE IT RIGHT	Consumers are thinking in terms of "smart spending" - if they pay more for a product then it must deliver. The other pitfall is to assume that people will "purchase" sustainability.
COMMUNICATION	Any customer communication must be relevant and appropriate to the audience. Communication can be delivered in various ways - online, through partnerships or on packaging, for example.
CUSTOMER SATISFACTION	Green marketing campaigns are becoming increasingly substantial as companies realise the impact their business is having on the environment, and consumers become more conscious of their buying habits.

GREEN MARKETING – CHALLENGES:

Challenge # 1. Need for Standardization:

It is found that only 5% of the marketing messages from –Green campaigns are entirely true and there is a lack of standardization to authenticate these claims.

There is no standardization currently in place to certify a product as organic. Unless some regulatory bodies are involved in providing the certifications there will not be any verifiable means. A standard quality control board needs to be in place for such labelling and licensing.

Challenge # 2. New Concept

Indian literate and urban consumer is getting more aware about the merits of green products. But it is still a new concept for the masses. The consumer needs to be educated and made aware of the environmental threats. The new green movements need to reach the masses and that will take a lot of time and effort.

By India‘s ayurvedic heritage, Indian consumers do appreciate the importance of using natural and herbal beauty products. Indian consumer is exposed to healthy living lifestyles such as yoga and natural food consumption. In these aspects the consumer is already aware and will be inclined to accept the green products.

Challenge # 3. Patience and Perseverance

The investors and corporate need to view the environment as a major long-term investment opportunity, the marketers need to look at the long- term benefits from this new green movement. It will require a lot of patience and no immediate results. Since it is a new concept and idea, it will haveits own acceptance period.

Challenge # 4. Avoiding Green Myopia

The first rule of green marketing is focusing on customer benefits, i.e., the primary reason why consumers buy certain products in the first place. Do this right motivate consumers to switch brands or even pay a premium for the greener alternative. It is not going to help if a product is developed which is absolutely green in various aspects but does not pass the customer satisfaction criteria. This will lead to green myopia. Also, if the green products are priced very high then again it will lose its market acceptability.

Green Marketing Cases

Interestingly, green marketing continues to be an issue of global interest. In fact, Google Trends reports that, on a relative basis, more searches for ―green marketing‖ originated from India than from any other country. Many companies are adopting green for capturing market opportunity of green marketing. Some cases are:

CASE 1: Best Green IT Project: State Bank of India: Green IT@SBI

By using eco and power friendly equipment in its 10,000 new ATMs, the banking giant has not only saved power costs and earned carbon credits, but also set the right example for others to follow.

SBI is also entered into green service known as ―Green Channel Counter‖. SBI is providing many services like; paper less banking, no deposit slip, no withdrawal form, no checks, no money transactions form all these transactions are done through SBI shopping & ATM cards. State Bank of India turns to wind energy to reduce emissions: The State Bank of India became the first Indian bank to harness wind energy through a 15-megawatt wind farm developed by Suzlon Energy. The wind farm located in Coimbatore uses 10 Suzlon wind turbines, each with a capacity of 1.5 MW. The wind farm is spread across three states – Tamil Nadu, with 4.5 MW of wind capacity; Maharashtra, with 9 MW; and Gujarat, with 1.5 MW. The wind project is the first step in the State Bank of India‘s green banking program dedicated to the reduction of its carbon footprint and promotion of energy efficient processes, especially among the bank's clients.

CASE 2: Lead Free Paints from Kansai Nerolac

Kansai Nerolac Paints Ltd. has always been committed to the welfare of society and environment and as a responsible corporate has always taken initiatives in the areas of health, education, community development and environment preservation. Kansai Nerolac has worked on removing hazardous heavy metals from their paints. The hazardous heavy metals like lead, mercury, chromium, arsenic and antimony can have adverse effects on humans. Lead in paints especially poses danger to human health where it can cause damage to Central Nervous System, kidney and reproductive system. Children are more prone to lead poisoning leading to lower intelligence levels and memory loss.

CASE 3: India's 1st Green Stadium

The Thyagaraja Stadium stands tall in the quiet residential colony behind the Capital's famous INA Market. It was jointly dedicated by Union Sports Minister MS Gill and Chief Minister Sheila Dikshit. Dikshit said that the stadium is going to be the first green stadium in India, which has taken a series of steps to ensure energy conservation and this stadium has been constructed as per the green building concept with eco-friendly materials.

CASE 4: Eco-friendly Rickshaws before CWG

Chief minister Shiela Dikshit launched a battery-operated rickshaw, –E-rick‖, sponsored by a cellular services provider, to promote eco-friendly transportation in the city ahead of the Commonwealth Games.

CASE 5: Wipro Green It

Wipro can do for you in your quest for a sustainable tomorrow – reduce costs, reduce your carbon footprints and become more efficient – all while saving the environment.

Wipro‘s Green Machines (In India Only)

Wipro Infotech was India‘s first company to launch environment friendly computer peripherals. For the Indian market, Wipro has launched a new range of desktops and laptops called Wipro Greenware. These products are RoHS (Restriction of Hazardous Substances) compliant thus reducing e-waste in the environment.

CASE 6: Phillips‟s "Marathon" CFL light bulb

Philips Lighting's first shot at marketing a standalone compact fluorescent light (CFL) bulb was Earth Light, at $15 each versus 75 cents for incandescent bulbs. The product had difficulty climbing out of its deep green niche. The company re-launched the product as Marathon, underscoring its new super long life‖ positioning and promise of saving $26 in energy costs over its five-year lifetime. Finally, with the U.S. EPA's Energy Star label to add credibility as well as new sensitivityto rising utility costs and electricity shortages, sales climbed 12 percent in an otherwise flat market.

SUMMARY

Green marketing is quickly becoming essential to consumers as the trends of connectivity and transparency are giving consumers unprecedented access to information of a company's internal workings. This information creates the ability to look at perceived alignment of values between the consumer and the company. Additionally, integrated reporting becomes important to greening operations and communicating these changes.

Consumers want greener goods from greener companies. This focus on sustainable values has superseded a focus on product, lifestyle, and many other previous marketing methods. Consumers buy green for a reason. Companies need to understand what motivates the consumers so they can align their operations and communications to emphasize these values. True success comes not just from using a green message, but from applying all of the wisdom from the marketing discipline.

Now is the right time to select Green Marketing‖ globally. It will come with drastic change in the world of business if all nations will make strict roles because green marketing is essential to save world from pollution. From the business point of view because a clever marketer is one who not onlyconvinces the consumer, but also involves the consumer in marketing his product. Green marketing should not be considered as just one more approach to marketing, but has to be pursued with much greater vigor, as it has an environmental and social dimension to it. With the threat of global warming looming large, it is extremely important that green marketing becomes the norm rather than an exception or just a fad. Recycling of paper, metals, plastics, etc., in a safe and environmentally harmless manner should become much more systematized and universal. It has to become the general norm to use energy-efficient lamps and other electrical goods. Marketers also have the responsibility to make the consumers understand the need for and benefits of green products as compared to non-green ones.

In green marketing, consumers are willing to pay more to maintain a cleaner and greener environment. Finally, consumers, industrial buyers and suppliers need to pressurize effects on minimize the negative effects on the environment-friendly. Green marketing assumes even more importance and relevance in developing countries like India. Live a green life and let the greenery of nature live forever.

KEYWORDS

Absolute Non-Consumers
Individuals who are banned from consumption related to health, religion, legal, etc.

Biocompatible
As distinct from biodegradable, refers to products that break down not simply into basic elements,but into elements that are actually beneficial or not harmful to the environment.

Biological Nutrient - A biodegradable material posing no immediate or eventual hazard to living systems that can be usedfor human purposes and can safely return to the environment to feed environmental processes.

Biodegradable Material -An organic compound that can be degraded or converted to more simple compounds by microorganisms in the natural environment.

Carbon Footprint - The total amount of carbon dioxide (CO2) and other greenhouse gases emitted over the full life cycleof a product or service.

Generators - Any residential or commercial facility that produces material to be disposed of through a wastestream system.

Greenwashing - The practice of companies making their products appear to be environmentally sound by puttingthem in green packages, claiming they are biodegradable (when they are not), etc.

Post-Consumer
Material that has completed its life as a consumer item and has been discarded for disposal or recovery. It often refers to paper products such as newspaper, white paper and magazines, that have been recycled to make new products.

Pre-Consumer
Material that has been discarded by commercial enterprise for disposal or recovery. Pre-consumer waste often refers to material such as paper products that have been recovered from industry and recycled into new products.

Recycle
The separation, processing, conversion and marketing of waste material like glass and aluminumfrom the waste stream so it can be converted into new and useful product.

Renewable Resource
A natural resource that can be replenished by natural means at rates comparable to its rate ofconsumption.

Reuse
To use a material more than once.

Source Reduction
The reduction of weight and volume of waste being generated and consumed by making changes tomanufacturing and production practices at the source of generation.

Source Separation

The act of segregating recyclable materials from other waste products in the home or business forcollection and transportation to a recycling facility.

Sustainability - A goal that aims toward preserving quality interactions with the local environment, economy andsocial system.

Tipping Fee -A fee charged at a waste management facility for disposing waste based on the amount disposed.

Waste Stream -Is the flow or movement of wastes from the point of generation *(i.e. household or commercial premises)* to final disposal *(i.e. landfill).* A waste stream may reduce significantly over time as valuable items are separated for recycling and are recovered through resource recovery.

❖ REVIEW QUESTIONS

1. What is Green Marketing?
2. What is the state Green Marketing in India?
3. State some best practices followed in Green Companies.
4. Illustrate the issues with consumers related to adopting green products?
5. Describe the difficulties companies are facing in marketing of Green Products

❖ MULTIPLE CHOICE QUESTIONS

1. The trend of using on a large scale of artificial products or chemical substances occursbecause of:

a. the advertising campaigns of the companies
b. needs for profit increase
c. the growth of population and the reduction of natural resources and food

2. Slow fashion is:

a. used when a product (clothing, footwear, etc.) lasts longer in time and it is often made fromlocally sourced, or fair-trade materials
b. the slow and the long process of product development
c. the manufacturing processes of innovative goods that consume non-renewable resources

3. A business activity can be defined as a green business if it:

a. meets the needs of the present without compromising the future generations regardingenvironment issues
b. satisfies the consumer’s needs for quality
c. satisfies the consumer’s needs for products and services at a certain price

4. **The three evolution phases of the green marketing are:**

   a. Ecological, Competitive, Sustainable
   b. Ecological, Environmental, Sustainable
   c. Environmental, Efficient, Innovative

5. **The green companies are:**

   a. companies that contribute to the preservation of the environment biodiversity by producing environment friendly products, and acting for conservation of energy, water and natural resources, climate protection,
   b. companies that advertise their products as being green
   c. companies that focus on traditional development

6. **Environmentally friendly means:**

   a. laws for the environment
   b. products, services, and actions that will not affect the environment
   c. public politics of ecosystems

7. **The objectives of implementing eco-efficiency and eco-effectiveness concepts incompanies‟ strategies are:**

   a. zero waste, zero emissions and zero toxins
   b. zero carbon, zero waste and zero consumption
   c. zero carbon, zero waste and zero emissions

8. **A successful green marketing strategy must include:**

   a. a sustainable development
   b. an organic product
   c. an honest promotion

9. **Green spinning is used by companies that:**

   a. make commercial transactions with multiple environmentally friendly companies
   b. implement a strong public relations campaign to demonstrate that they areenvironmentally friendly
   c. are using green technologies

10. **Which is a base of green marketing?**

    a. Greenhouse gas reduction market
    b. Capital Flow
    c. Programme

10.6 ONLINE MARKETING

Definition: Online marketing is a method that uses the internet to promote or transmit a messageabout a company's product and services to the potential buyers or target audience.

What is Online Marketing?

Online marketing is advertising and marketing the products or services of a business over Internet. Online marketing relies upon websites or emails to reach to the users and it is combined with e- commerce to facilitate the business transactions. In online marketing, you can promote the products and services via websites, blogs, email, social media, forums, and mobile Apps.

Online marketing is also termed as Internet marketing, Web marketing, or simply, OLM.

DIFFERENCE BETWEEN TRADITIONAL AND ONLINE MARKETING

The goal of traditional marketing and online marketing are same − To attract and drive visitors of advertise to buy the product thereby increasing the business profit. Let us see the difference betweentwo approaches now −

Traditional Marketing	Online Marketing
It is difficult to measure. You cannot know how many people read your advertise and how many took favorable action upon viewing it.	It is measurable. You can know the number of people who viewed the online advertise, and the number of ones who purchased the product.
It is not cost-effective.	It is more cost-effective.
It is not so good for brand building.	It is fast and efficient for brand building.
In some way, it interrupts regular activities of users such as television advertises interrupt the program you are watching, billboards divert focus of the driver, etc.	It is not interrupting. The user can attend online advertises as per his/her convenience and preferences.
It may leave users' queries unanswered as printing or narrating complete information about the product or service may not be always feasible.	It can provide maximum information about the product or service, offers, and transactions.

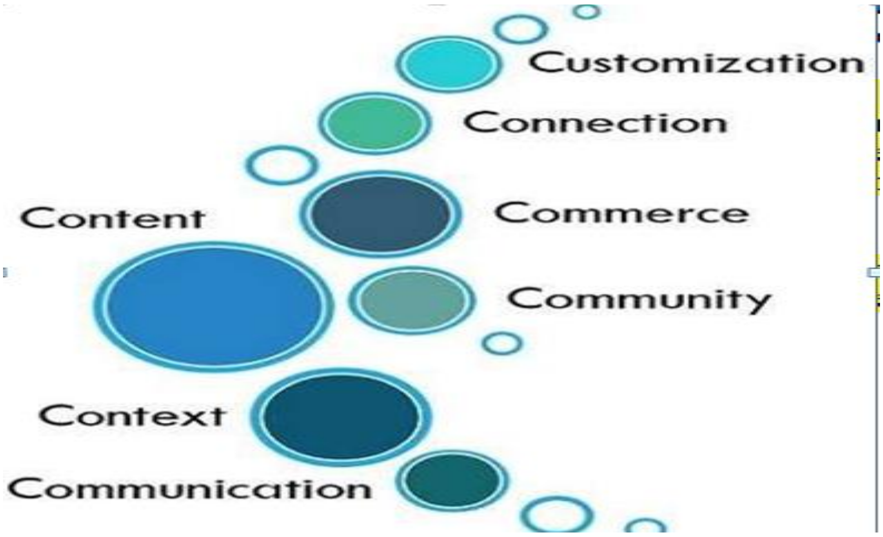
Marketing Mix	Criteria
Product **(Customer needs and wants)**	Range of product, online services/value proposition, core product, sales levels, Extended product offering, and Branding.
Price **(Cost)**	Differential pricing
Place **(Convenience)**	Representation on third party sites, Co-branding and partnering arrangements
Promotion **(Customer experience)**	Attraction efficiency (visitor volume, share of search), Reach
Process **(Customer experience)**	Conversion efficiency to online marketing outcomes – engagement, conversion to opportunity, conversion of opportunity to sales Retention efficiency.
People **(Customer experience)**	Response quality, e-mail, co-browsing, chat.
Physical evidence **(Customer experience)**	Usability, Accessibility, Performance, and Availability.

Online marketing is widely practiced strategy of advertising or promoting sales and name of the business. Wise use of the online marketing strategies can take the business to unprecedented levels of success.

Online Marketing Communication Options

- **Website**: A company must design its website that considers its purpose, products, services, mission and vision. A website should look interesting to view to encourage multiple visits. A website must have the following 7Cs in order to be competent:

Content: It can have graphics, sound, text and video.
Context: It means the layout and design of awebsite.
Customization: It refers to the site‘s ability to provide results according to the customer‘s requirements.
Communication: It should establish two- way communication with the user.
Community: It facilitates user to user communication.
Connection: The extent to which one site provides links to the other sites.
Commerce: A site should assist in commercial transactions as well.



There are certain parameters on the basis of which the visitors can observe the performance of thewebsite. These parameters are: how much user-friendly a site is? And how much attractive it is?

A site’s user-friendliness can be ascertained by landing page, navigation to other pages, downloading capability. On the other hand, physical attractiveness is determined by viewability, readability, colours used and so forth.

- **Search Ads**: Pay-per-click ads is the most important element of the Search Ads. When a visitor searches any term on the search engine, the ad of the marketers appear either on the top of the results or next to it, on the basis of the bidding by the marketer and the search engine’s algorithm, to identify its significance with respect to the keyword searched. Only when the visitor clicks on the ads, advertisers pay for it.

- **Search Engine Optimization (SEO)** entails the activities that improve the probability that a particular link will appear in the top among all the non-paid links when the visitor searches for a particular keyword.

- **Display Ads**: Display ads or otherwise called as banner ads are the one that appears in a tiny rectangular box that encompasses text and sometimes graphics, which marketers pay on the placement on specific websites. The cost depends on the traffic on a website, meaning that the more the number of visitors, higher is the cost.

- **E-Mail**: E-mail is quite productive and reasonable selling tools as it enables advertisers to message in order to communicate with a large audience base at a comparatively low cost.

- **Social Media Marketing**: It is one of the emerging modes of marketing these days. Consumers share their videos, audios, texts, and images through various social media platforms Facebook, Twitter, Google plus, Instagram, Linkedin, Pinterest, etc. with their friends, relatives, acquaintances and companies.

It facilitates the marketers to make their presence online and connect with their customers directly

ACTIVITIES:

Components of Online Marketing

Online marketing has various components as shown in the illustration below −

Market Research

Business organizations need to set clear objectives and strong market understanding. To research the market, you can −

- Review your website traffic.
- Review the Ad conversion rates.
- Review the queries asked by your existing customers.
- Identify the customers' pain points that they post on various platforms such as yahoo answers, blogs, social media, and other sites.
- Anticipate and compile a list of Frequently Asked Questions (FAQs) with their clear answers and align them to customers pain points.
- Include the fact sheet about product if required.

Keyword Research

Choosing a correct and relevant set of keywords can help design a crisp and persuasive advertise foronline marketing. Before accessing any keyword research tool, ask yourself

- What is the purpose of this web page?
- How clearly can I state the conversion event?
- Have I clearly answered all the pain points that users might look for on this page?
- Which phrases the users might enter while looking for a solution?
- Are my keywords relevant to the users intent?

SEO Friendly Website

Mapping the right keywords around the users' pain points in a hierarchical manner makes an effective website. You need to categorize the keywords in a thematic order and then link the respective articles to the keywords. This makes the website easy maintain.

Web Analytics

The ultimate goal of analytics is to identify actionable insights on monthly basis which can help to make favourable changes to the website gradually. This in turn ultimately leads to strong profits in long term.

Online Advertising

It is placing crisp, simple, and tempting Ads on the websites to attract the viewers' attention and developing viewers' interest in the product or service.

Mobile Advertising

It is creating awareness about the business and promoting it on smart phones that people carry with them inseparably.

Search Engine Optimization (SEO)

It is the activity of optimizing web pages or complete website in order to make them search engine friendly, thus getting higher position in the search results. It contributes to overall rankings of the keywords through influencing factors such as appropriate titles, meta descriptions, website speed, links, etc.

Social Media Marketing

It includes creating profiles of your brand on social media platforms such as Google Plus, LinkedIn,Pinterest, Twitter, Facebook, etc. It assures that you remain connected to the existing or potential customers, build awareness about the products and services, create interest in and desire to buy yourproduct, and interact with the customers on their own terms and convenience.

Email Marketing

You can interact with the customers to answer their queries using automatic responders and enhance the customer experience with your website.
You can offer the options such as signing-in to subscribe to your newsletter. You can make the emails catchy and crisp, so that they don't make recipients annoyed. Also, you can use selected bestwords in the subject line to boost the open rate.

Content Marketing

It includes creation and sharing of media and publishing the content in order to acquire and retain customers.

Blogs

Blogs are web pages created by an individual or a group of individuals. They are updated on aregular basis. You can write blogs for business promotion.

Banners

Banners are long strips of cloth with a slogan or design. They are carried for demonstration, procession, or hung in a public place. There are internet banners in parallel to tangible banners for advertising.

Internet Forums

They are nothing but message boards of online discussion websites, where people posts messages and engage into conversation.

CYBER MARKETING PROCESS

Attracting Traffic to The Internet Site

Even after designing the offer very carefully, the cyber marketer still has the great concern of attracting the target customers to his site. It is parallel to one of attracting customers to one' s shop in the " brick and mortar" kind of marketing. The process obviously starts with the selection of appropriate target customers. The contents of the site are expected to be designed keeping the total marketing offer and the customers profile in mind. Even after this unless cyber customers reach to the site the marketing efforts will not be productive. Cyber customers adopt their own peculiar methods and strategies to reach particular sites. For example, one earlier study found the following routes through which cyber customers reach to any given site:

It is, therefore, clear that search engines and other sites play greater roles in directing traffic to the marketer's site. However, the strategy to steer the customers' traffic from search engines and other sites are going to be quite different. For example, the search engines send customers based on the title of the site, key words used to describe the site and the brief page descriptions mentioned on the search engines. There is a good scope for research to find out the key words kept in mind by the cyber customers-while exploring about a product category. This area has now become so important that a breed of professionals called "search optimizers" have come up for providing specialized help in this area.

In case of links from other sites the specific internet use history of the prospective cyber customers becomes important. Thus, for example, a video film marketer may find a customer moving from entertainment site to their site very different in motivation, kinds of information sought and the probability of purchase compared to a visitor from a video technology site. Therefore, cyber marketers have to carefully craft their link strategies. These strategies shall depend on the desired product positioning, customers internet surfing behaviour and company's resource considerations. Quite often the marketing company is a member of some industry association, securing links from such industry association sites can direct the customers traffic rather smoothly.

Sometimes, companies can negotiate with the industry associations for reciprocal linkages. Such linkages need not be confined to a single industry. After all, most of the customers do not think of any product as a part of only one industry! Like with industry associations, marketers can also negotiate with other companies for reciprocal linkage with their sites. Such arrangements can produce significant synergistic results for all the parties. The marketer should, therefore, decide to link with as many useful sites as commercially viable. The choice of specific sites to be linked has to be based on the relevance of the sites, pattern and size of traffic reaching to the screens from where the surfers are targeted to be escorted to marketer's site. The message exhorting the prospects to jumpto the marketer's site, similarly, have to relate to the customers key concerns. For example, ‘Your instant train reservations’, ‘Get rid of pimples’ or ‘Your child's home tutor’ have the potentials of shifting concerned customers to the respective marketer's site.

For such linkage the following option are also available to the market:

Extensive: Here the marketer gets his site linked to as many sites as possible. It is also listed in the jump sites. Jump sites are those sites which categories all sites related to that topic. It generates a lot of traffic. It is particularly effective in generating more awareness but may not create sharply definedperceptions in the minds of customers. These perceptions may then be etched through the contents of the site itself. Obviously, it is relatively a costly strategy. Another problem with this strategy is that itdoes not boost stickiness of the site. it attracts habitual surfers who switch from one site to another quite fast and hence do not stay for long at any site. As a result, even if this strategy procures brisk traffic of surfers, it may not be able to retain them sufficiently long to convert them into actual customers.
Frequent: This is quite commonly used strategy. Here the companies provide links to other sites without creating a jump station. The idea is to funnel the prospects towards the site but not allowing them to go out so easily. This adds to the costs as the marketer pays to the sites for facilitating the prospects to come to their site but does not get anything like that from other sites. One variant of this strategy is to provide links to the very same site.

Infrequent: Under this strategy a minimal number of links are provided to the outside sites. Reverse links are provided to only those selected sites which provide a direct benefit to the marketer's site.

No Links: Such a strategy presumes that any linkage with outside site only encourages the prospects to go to other sites. it works well when the non cyber channels have been extensively and effectively used to bring the traffic to the site. Such prospects are then engaged within the site with necessary information and persuasion to motivate them into buying.,

E-Mails have also been extensively used to bring the customers to marketer's site. This method has been found to be relatively inexpensive. But, the concerns about spam and privacy issues have reduced its effectiveness. The cyber marketer has to carefully select the lists of prospects among a host of lists available these days to avoid waste. The marketer must also ensure that their messages are directed to only those persons who have authorized the marketer to send such messages. This is not only for being nice to one ' s prospective customers but also to meet the legal requirements.

Besides using internet, itself, the cyber marketer can attract customers through many other activities outside the internet. Other mass media can be judiciously employed to attract the desired traffic.

Meaningful gifts may not only attract the customers to the site but also aid in positioning the site andproduct in the minds of their customers.

Activity: Suggest a few products/product categories that are compatible for buying on the net. Givereasons for their compatibility.

governmental organizations:

1. **C2C:** eBay, Skype, Blogs, Social Networks: Facebook, MySpace
2. **C2B:** Priceline, Consumer-feedback, communities or campaigns
3. **C2G:** Feedback to government through pressure groups or individual sites
4. **B2C:** Transactional: Amazon, Relationship-building: BP, Brand Building: Unilever, Media owner: News Corp, Comparison intermediary: Kelkoo, Pricerunner
5. **B2B:** Transactional: Euroffice, Relationship: BP, Media owned: Emap, B2B marketplaces: EC21, Social network: Linkedin, Plaxo.
6. **B2G:** Feedback to government businesses and non-government orgs.
7. **G2C:** Tax, Government Information, E-Visa
8. **G2B:** Tax, Legal regulations
9. **G2G**: Inter-government services, exchange of information

Basics forms of websites: Informational, Communicational, and Transactional.

BENEFITS AND LIMITATIONS OF ONLINE MARKETING

Benefits of Online Marketing

1. Convenience and Quick Service

The incredible convenience of marketing online is one of the biggest advantages of internet marketing. The internet has extremely easy accessibility with consumers using the internet and reaching markets anywhere in the world. Because of this, purchasing goods from across borders now reduces the cost of transportation.

For importers, this is a huge advantage as it means they can order online right from the comforts of their home. In addition, you can easily track sales items online as they make their way into delivery. You can download digital products from the internet with just a click of a mouse. Internet marketing is great for business as it gives consumers a better and more comfortable shopping experience.

2. Low Cost for Operations

One of the main advantages of online marketing for businesses is its low operating cost. You can advertise cheaper with internet marketing than with traditional methods of advertisement such as ads in newspapers, on television and on the radio. In online marketing, you can easily get a free listing in a wide range of business directories.

In addition, the internet allows you to contact your customers more in comparison to how you would contact them traditionally. Online communication is more affordable than traditional communication methods such as sending mail and printing brochures. For example, you can send the same information in an email rather than a mail-out, saving you on printing, paper, and postage.

3. Measure and Track Results

An aspect of internet marketing that is rarely available with traditional marketing is the ability to measure and track results. With online marketing, your business can utilize varying tools for tracking results of your advertising campaigns. Using these tools, not only can you measure and track but also illustrate the progress of your marketing campaign in detailed graphics.

Measuring and tracking results gives your business a better idea of how your marketing campaign is faring. It gives you an idea of how you can better grow your traffic, leads, sales, and conversions. Without the ability to measure and track your results, you cannot alter or modify your marketing campaign so that it can better deliver the results you desire.

4. Demographic Targeting

Marketing your products and services online gives you the ability to target audience based on demography. This allows you to concentrate your efforts on the audience that you truly want to offer your products or services. With demographic targeting, you can better target your marketing efforts on specific demographic regions.

Demographic targeting gives you the ability to target specific customers you think are likely to purchase your product or hire your services. Every time someone visits your website and fills in a form, it gives you an idea of who your customers really are and lets you discover important details about them such as age and interests, which better shapes your services to match their needs.

5. Global Marketing

The ability to market your products and services globally is one of the biggest advantages of global marketing for business. Within several months of aggressive SEO, you can secure millions of viewers and reach huge audiences from across the world.

With internet marketing, you can easily reach beyond your geography to offer your products or services to customers worldwide. Wherever your target audiences are, you can easily reach them 24/7 and from any country all over the world. If your audience consists of more than your local market, utilizing global marketing offers you a great advantage.

6. Ability to Multitask

One of the core benefits of online marketing is its ability to handling millions of customers at the same time. As long as a website‘s infrastructure is efficient, numerous transactions can easily take place simultaneously.

However, even with a large number of transactions taking place, your website is capable of providing satisfactory service to every customer who makes a purchase online, without the risk of diminished satisfaction. This high adaptability of internet marketing is an important benefit that businesses can take advantage of to provide their consumers the best shopping experience.

7. 24/7 Marketing

Internet marketing reduces cost and runs around the clock. That means that your marketing campaigns run for 24 hours a day, 7 days a week. Compared to traditional marketing, internet marketing does not constrain you with opening hours. At the same time, you would not be worrying about overtime pay for your staff.

In addition to this, there is no regional or international time difference for you to worry about that will affect the reachability or availability of your offers or online campaigns. Whenever someone opens their computer and connects to the internet, there is a higher chance of them seeing your marketing campaign. Furthermore, customers can look for your product at their most convenient time.

8. Automated, Tech-Savvy Marketing

Another advantage of internet marketing is that marketing this way is easy with a one-mouse-click automation. Compared to traditional offline marketing where marketers delegate various tasks to the best hands and talents, internet marketing takes advantage of a more tech-savvy method. With internet marketing, everything can go automated.

Internet marketing gives you the chance to turn every aspect of your business‘s operations into a fully automated system. All you need to do is find the right tool and technology suited to your marketing campaign and you are done. By automating your marketing campaign, you can choose to do something more valuable with your time.

9. Data Collection for Personalization

Transactions through the internet allow you to collect data. Whenever a customer purchases a product through a company‘s website, the data is captured. Your business can use this data in varying ways. Most businesses analyze the data to find out what product and/or services sellfrequently.

Furthermore, the data collected can help segment customers, so your business can send them ads andother promotional materials based on their buying habits and interests. There are various ways that you can collect customer data including customer profiles or through their behaviour while on your website.

The information collected through this method typically includes age, gender, location, how they came to your site, what sites they visited after they left, viewed products and the pages visited on your site.

Another way of collecting customer data is the use of internet tools or with tracking software. Compared to traditional marketing, online marketing allows for better data collection as well as personalization.

Through this advantage of internet marketing, businesses can serve millions of customers with various items and products based on their personal interests. Thus, shoppers can easily get their desired products without having to comb through the internet all day.

10. Diversified Marketing and Advertising

When targeting your audience, diversification plays an important role in your marketing and advertising campaigns. Diversification means that you can use a variety of tactics and strategies in order to reach your prospects. With online marketing, diversification becomes a lot easier. In addition to that, it is possible for you to run varying marketing techniques simultaneously to better implement your marketing campaign.

11. Easy Tweaking to Your Marketing and Advertising Campaigns

It is inevitable in marketing and advertising that something needs to be tweaked in order to optimize your campaigns. Compared to traditional marketing, online advertising is much easier to tweak.

Whenever the campaign needs to be modified, online marketing allows the modification to happen without having to worry about downtime, service interruption or even halting the entire system.
This means that you can easily change the appearance of your online shopping mall – your website – by changing a few lines in the CSS that link to the web page.

12. Instant Transaction Service

Executing transactions is easy and nearly instant online. You can do this through a digital payment service so that there is no need for a cash to go between the marketer and the customer to buy and sell merchandise. This is all possible due to payment processing solutions executed by third party payment processing companies such as PayPal.

13. Better Sales Relationships

In traditional marketing, merchants often give their business cards or pamphlets to their customers after a sale. However, what happens is often on such occasions, the customers lose the cards or misplace it. The only time the seller would remember about the card was if they had the intention of visiting the seller again.

In the end, most customers do not remember the seller much less the card, so this marketing method does not work to convince buyers to return. This is different with internet marketing where the marketers can easily collect email addresses of their prospects and buyers, which they can use in reaching out and forming a relationship with the customer.

The marketer can use this email address to provide customers with valuable information such as information about the purchased product, available coupons on their products and services, special discounts and introducing new products. Aside from email addresses, they can also use social media for consistent interaction with customers.

14. Time-Effective Marketing

Unlike traditional marketing, internet marketing is easy to start and quick to implement. You can easily set up a marketing campaign at any time that is convenient for you. In fact, you can set up email marketing for your business within only a matter of hours. Within the next few minutes, you can setup an autoresponder and create a marketing list for your business.

15. Continued Marketing Campaign

Marketing campaign's later effects are one of the greatest advantages of internet marketing for business. For example, content marketing efforts, such as blogs, and websites have the capacity to remain functional and promote your products and services years after you started your marketing campaign. Almost every online marketing technique has viral and long-term effects that can continually improve your site's traffic.

Limitations of Online Marketing

Online marketing, despite its tremendous advantages, has yet to overcome many of the associated problems. Some of these problems are in-built with the technology of internet and some others are contextual for the environment in which cyber marketing is applied.

- **Limits to digitization:** The key advantage of internet is achieved by converting marketing contents into digitized form. Therefore, the remainder part which is not digitizable virtually lies outside the domain of cyber marketing. This part remains in the 'brick and mortar' domain of marketing as contrasted to the "click and view" part of marketing. i). ii). iii). iv).v). vi).

- **Shopping experience:** Customers are quite used to the 'touch and feel' experience of shopping. Internet based shopping is, therefore, finding some consumer resistance. Advantages of cyber shopping and the practice over time are expected to overcome this resistance. In the transition period, marketers are trying to integrate the traditional 'touch and feel' and 'click and view' modes of marketing.

- **Security issues:** While shopping on internet, customers often have to share sensitive information related to their person as well as their financial matters. While the marketers are trying to make these sharing of information and details much more secure against the possible misuse the customers are not fully convinced about these security arrangements.

- **Internet access density:** Although more than 600 million people were reported to be online, they still account for only less than 1 per cent of the total population of the world. This population of online is not only very low, it is also very asymmetrically distributed. As a result, only certain skewed segments of the market can be tapped through cyber marketing today.

- **Customers used to freebies:** As explained earlier, the development of cyber marketing is characterized by intensive promotions of substantial values. As a result, cyber customers have started expecting freebies before responding to cyber marketers' cues of any kind. However, as the freebies offers are gradually diminishing now this problem is getting reduced on its own over time.

- **Dot.com bust:** The sudden emergence of internet power and its cyber marketing possibilities gave rise to great hypes about their commercial opportunities. Many half-baked business models were deployed to capitalize on this wave. In fact, the market got cluttered with in numerous so called dot-com companies. When the bottom of most of these dot.com companies was removed the pendulum of market interests swung to the other extreme. Many marketers and customers have become shy of using any of the cyber marketing tools. The time has come to rectify this disbalance and evolve the business models which incorporate internet power more realistically.

- **Fake clicks** on the ads done by software-powered websites.

- **Hacking** of the website is possible, which results in the loss of control over the messages.

- **Lack of tangibility**

Nevertheless, the advantages of online marketing supersede its disadvantages. As nowadays people spend most of their time surfing on the internet, it instigates marketers all around the world, to advertise their offerings online for broader reach and better results.

Summary

In the era of globalisation, with marked technological strides has truly revolutionised the exchange process of buying and selling of products on the internet. Indeed, internet marketing is a worldwide phenomenon. in Indian scenario internet marketing has made inroads as a new and emerging mode of buying and selling of products/services to specific target groups with fast changing needs, preferences and life styles. You have been familiarised the term cyber marketing, its relevance and scope to Indian environs. The nature of cyber marketing has also been dealt at length touching upon its limitations that one should keep in mind.

Keywords

Telemarketing: Using the telephone to sell directly to customers.

Direct-mail marketing: Direct marketing through single mailings that include letters, ads, samples,foldouts, and other 'salespeople with wings' sent to prospects on mailing lists.

Catalogue marketing: Direct marketing through print, video, or electronic catalogs that are mailedto select customers, made available in stores, or presented online.

Direct-response television marketing: Direct marketing via television, including direct-responsetelevision advertising or infomercials and home shopping channels.

Online marketing: Marketing conducted through interactive online computer systems, which linkconsumers with sellers electronically.
Commercial online services: Services that offer online information and marketing services tosubscribers who pay a monthly fee, such as America Online, CompuServe, and Prodigy.
Internet: The vast and burgeoning global web of computer networks with no central management orownership.
World Wide Web (the Web): The user-friendly Internet access standard.
Electronic commerce (e-commerce): The general term for a buying and selling process that issupported by electronic means.
Corporate Web site: Web site that seeks to build customer goodwill and to supplement other saleschannels rather than to sell the company's products directly.
Marketing Web site: Web site designed to engage consumers in an interaction that will move themcloser to a purchase or other marketing outcome.
Online ads: Ads that appear while subscribers are surfing online services or Web sites, includingbanners, pop-up windows, tickers, and roadblocks.
Webcasting: The automatic downloading of customized information of interest to recipients' PCs,affording an attractive channel for delivering Internet advertising or other information content.
Integrated direct marketing: Direct-marketing campaigns that use multiple vehicles and multiplestages to improve response rates and profits.

Review Questions

1. Discuss the parameters that marketers should consider and take into account while decidingto sell their offerings on the net. 8
2. Nature of the product/service alone is the deciding factor to sell on the net. Do you agree withthe above statement? Substantiate your responses.
3. Visit or log on to a few websites where products/services are offered on the net.
4. Identify 4-6 products of your choice and critically analyze the reasons for being compatible tobe sold on the net.

Multiple Choice Questions

1. Marketing that moves away from a transaction-based effort to a conversation (i.e., two-way dialogue) and can be described as a situation or mechanism through which marketers and a customer (e.g., stakeholders) interact usually in real-time is known as:

a) Digital marketing b) Interactive marketing
c) Direct marketing d) Electronicmarketing

2. Which of the following is not a type of digital marketing activity?

a) e-marketing b) Social marketing
c) Print advert d) Internetmarketing

3. _______ is the process of marketing accomplished or facilitated via the use of internet technologies (e.g., web, email, intranet, extranets).

a) Internet marketing b) Search marketing
c) e-marketing d) Mobile marketing

4. A form of marketing communications that uses the internet for the purpose of advertising, aiming to increase website traffic and/or encourage product trial, purchase,and repeat purchase activity is called:

a) Search marketing b) E-mail marketing
c) Internet advertising d) Social web marketing

5. An advertising model in which advertisers bid on keywords or phrases relevant to their target market, with sponsored/paid search engine listings to drive traffic to a website is called –

a) Search Engine Optimization (SEO) b) Contextual Advertising
c) Digital AssetOptimization (DAO) d) Pay Per Click (PPC)

6. Current changes in behaviour clearly show that_______________is taking over more and more ofconsumer online searches.

a) social media b) mobile
c) internet d) blog

7. Fees paid by advertisers to online companies that refer qualified potential customers or provide consumer information where the consumer opts in to being contacted by a marketer. This is referred to as:

a) lead generation b) search
c) rich media d) social media marketing

8. This operates algorithmically or using a mixture of algorithmic and human input to collect, index, store and retrieve information on the web (e.g., web pages, images, information and other types of files). It makes the information available to users in a manageable and meaningful way in response to a search query. This is referred to as:

a) Banner ads b) Pop-up ads
c) A search engine d) Apps

યુનિવર્સિટી ગીત

સ્વાધ્યાયઃ પરમં તપઃ
સ્વાધ્યાયઃ પરમં તપઃ
સ્વાધ્યાયઃ પરમં તપઃ

શિક્ષણ, સંસ્કૃતિ, સદ્ભાવ, દિવ્યબોધનું ધામ
ડૉ. બાબાસાહેબ આંબેડકર ઓપન યુનિવર્સિટી નામ;
સૌને સૌની પાંખ મળે, ને સૌને સૌનું આભ,
દશે દિશામાં સ્મિત વહે હો દશે દિશે શુભ-લાભ.

અભણ રહી અજ્ઞાનના શાને, અંધકારને પીવો ?
કહે બુદ્ધ આંબેડકર કહે, તું થા તારો દીવો;
શારદીય અજવાળા પહોંચ્યાં ગુર્જર ગામે ગામ
ધ્રુવ તારકની જેમ ઝળહળે એકલવ્યની શાન.

સરસ્વતીના મયૂર તમારે ફળિયે આવી ગહેકે
અંધકારને હડસેલીને ઉજાસના ફૂલ મહેંકે;
બંધન નહીં કો સ્થાન સમયના જવું ન ઘરથી દૂર
ઘર આવી મા હરે શારદા દૈન્ય તિમિરના પૂર.

સંસ્કારોની સુગંધ મહેંકે, મન મંદિરને ધામે
સુખની ટપાલ પહોંચે સૌને પોતાને સરનામે;
સમાજ કેરે દરિયે હાંકી શિક્ષણ કેરું વહાણ,
આવો કરીયે આપણ સૌ
ભવ્ય રાષ્ટ્ર નિર્માણ...
દિવ્ય રાષ્ટ્ર નિર્માણ...
ભવ્ય રાષ્ટ્ર નિર્માણ

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