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Mukthagangothri, Mysore – 570 006.

DEPARTMENT OF STUDIES AND RESEARCH IN MANAGEMENT

MBHC - 2.3

MARKETING MANAGEMENT

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BLOCK - 1 : CONCEPTS OF MARKETING

Marketing Management encompasses all factors that influence a company's ability to deliver value to customers. In the present scenario marketing has changed the world; marketing has become an integral part of management. Marketing management guides and advises management at every step. Marketing management not only increases efficiency of management, but also increases the efficiency of an organization as a whole.

In this course, there are four blocks which consists of sixteen units. Each block has been scheduled in a manner so as to enable the student to understand the content easily. Each unit in a block having its own structure and begins with the learning objectives, so that learner knows as to what he/she required to learn from the unit.

In this block we are going to study marketing management basis concepts and its functions. This block explain different between marketing and selling and recent trends in marketing management.

This block consists of four units. They are,

Unit 1: Introduction to Marketing

Unit 2: Marketing Management

Unit 3: Marketing Concepts

Unit 4: Trends in Marketing

BLOCK - 2 : MARKETING ANALYSIS AND CONSUMER BEHAVIOR

In the previous block, we have learned marketing management, its functions, objectives and recent trends in marketing. In this block, we are going to learn marketing planning and its process, concept of marketing environment and its factors. This block explains the concept of consumer behavior, buying centric role, buyer behavior, models of buyer behavior.

This block also explains the marketing research, its objectives and scope of marketing research. It also discusses steps in marketing research. This block also deals with market segmentation and its bases.

This block is classified into four units. They are,

Unit 5: Marketing Planning

Unit 6: Consumer Behavior

Unit 7: Marketing Research

Unit 8: Market Segmentation

BLOCK - 3 : PRODUCT AND PRICING DECISION

In the previous block, we have discussed marketing planning, its process and marketing environment. We have also discussed consumer behavior and its factors affecting consumer behavior, marketing research and market segmentation. In this block, we speak on concepts of product and product classes. We are also going to discuss brand, branding, importance of branding, uses of branding, packaging and its uses. Packing details and role.

In this block, we are going to study labeling and its importance. We also discuss new product development and its phases of new product development. This block will also speak on product life cycle and its strategies, pricing, pricing decision and factors of pricing and pricing strategies.

This block is divided into four units. They are,

Unit 9: Concept of product, product decision-line and mix

Unit 10: Branding, Packaging and Labeling

Unit 11: Product life cycle, New product development

Unit 12: Pricing Decision- Factors affecting Price determination, Pricing Methods and techniques, Pricing Policies and Strategies.

BLOCK - 4 : DISTRIBUTION AND PROMOTIONAL STRATEGIES

In the previous block, we have learnt about product, product decision, product life cycle, new product development, product diversification and pricing decision. In this block, we are going to learn channel of distribution, its features and functions of channel of distributions.

This block speaks on direct marketing, features and benefits. It also speaks on retail classification, wholesaling and its functions. This block also speaks on promotion and promotion decisions.

This block is comprises of four units. They are,

Unit 13: Distribution and Promotional Strategies

Unit 14: Direct Marketing, Retail Marketing

Unit 15: Wholesaling

Unit 16: Promotion Decisions

BLOCK 1: CONCEPTS OF MARKETING

UNIT-1: INTRODUCTION TO MARKETING

STRUCTURE

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Meaning/Definition of Marketing
- 1.3 Origin of Marketing
- 1.4 Nature and Scope of Marketing
- 1.5 Functions of Marketing
- 1.6 Objectives of Marketing
- 1.7 Summary
- 1.8 Key Words
- 1.9 Self Assessment Questions
- 1.10 References

1.0 OBJECTIVES

After studying this unit, you should be able to:

- Define Marketing
- Explain the origin of Marketing
- Discuss the nature and scope of Marketing
- Explain the functions of Marketing
- Bring out the objectives of Marketing

1.1 INTRODUCTION

In today's world of marketing, everywhere you go you are being marketed to in one form or another. Marketing is with you each second of your walking life. From morning to night you are exposed to thousands of marketing messages everyday. Marketing is something that affects you even though you may not necessarily be conscious of it.

Many thinking firms deliberate, from time to time, about what marketing actually means to them. Firms have been known to be very successful without having a complex marketing organization. On the other hand, some companies have been known to possess a comprehensive marketing department, supported by a myriad of sub activities belonging to the marketing function, and yet fail to achieve excellence.

Marketing is one of the concepts in management studies that is often difficult to define. Marketing is the management process responsible for identifying, anticipating and satisfying customer requirement profitably. Marketing deals with customer. Creating customer value and satisfaction are the heart of modern marketing thinking and practice. Sound marketing is critical to the success of any organization- large or small, profit or non profit, domestic or global. Today marketing must be understood not in the old sense of making a sale- "telling and selling" but in the new sense of satisfying customer needs. If the marketer does a good job of understanding consumer needs, develops products that provide superior value, and price, distributes and promotes them effectively, these products will sell very easily. Marketing occurs when people decide to satisfy needs and wants through exchange. 'The concept of exchange and relationship lead to the concept of a market. The concept of markets finally brings us to the concepts of marketing.

1.2 MEANING AND DEFINITION OF MARKETING

Marketing means managing market to bring about exchanges and relationships for the purpose of creating value and satisfying needs and wants. In other words marketing is a process by which individuals and groups obtain what they need and want by creating and exchanging products and value with others.

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling that product or service.

Marketing can be looked at as an organizational function and a set of processes for creating, delivering and communicating value to customers, and customer relationship management that also benefits the organization. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer behavior and providing superior customer value. From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long term relationships.

According to **American Marketing Association (2004)** - "Marketing is an organizational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organization and the stakeholder."

AMA (1960) - "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

Cundiff and still

"Marketing is the business process by which products are matched with market and through which transfers of ownership are affected."

According to **Eldridge (1970)** - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to **Kotler (2000)** - "A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."

H.L Hansen

"Marketing is the process of discovering and translating consumer wants into

products and services and then in turn making it possible for more and more people to enjoy more and more of these products and services.”

William J Stanton

“Marketing is a total system of interacting business activities designed to plan, price, promotes and distribute want satisfying products to target market to achieve organizational objectives.”

- ◆ Business activities should be market oriented or customer oriented
- ◆ Customer wants to be recognized and satisfied effectively.
- ◆ Marketing is a dynamic business process.
- ◆ Marketing activities start with the generation of a product idea and end only after the customer’s wants are completely satisfied.
- ◆ Marketing must maximize profitable sales over the long run in order to be successful business

1.3 ORIGIN OF MARKETING

Hundred years ago, most firm were production-oriented, i.e... The manufactures focused on production of quality products and then looked for people to purchase them. With technology transformation, the emphasis shifted to an effective sales force to find customer for their growing output. After 1950, the shift to marketing was so emphatic that the manufacturers first took into consideration the customer’s wants and then manufactured their goods accordingly.

Marketing has come a long way being recognized as a function of an organization in India. Marketing is such a type of function which is used by all types of organizations. Marketing is used for customer satisfaction and customer service plays a vital role in the economy.

The origins of the concept of marketing have their roots with the Italian economist Giancarlo Pallavicini in 1959. These roots are accompanied by the initial in-depth market research, constituting the first instruments of what became the modern marketing, resumed and developed at a later time by Philip Kotler. Giancarlo Pallavicini introduces the following definitions: Marketing is defined as a social and managerial process designed to meet the needs and requirements of consumers through the processes of creating and exchanging products and values. It is the art and science of identifying, creating and delivering value to meet the needs of a target market, making a profit: delivery of satisfaction at a price.

1.4 NATURE AND SCOPE OF MARKETING

Nature of Marketing:

1. Marketing is an Economic Function

Marketing embraces all the business activities involved in getting goods and services, from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

2. Marketing is a Legal Process by which Ownership Transfers

In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

3. Marketing is a System of Interacting Business Activities

Marketing is that process through which a business enterprise, institution, or organization interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

4. Marketing is a Managerial function

According to managerial or systems approach - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."

According to this approach the emphasis is on how the individual organization processes marketing and develops the strategic dimensions of marketing activities.

5. Marketing is a social process

Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions:-

- Knowing and understanding the consumer's changing needs and wants;
- Efficiently and effectively managing the supply and demand of products and services; and
- Efficient provision of distribution and payment processing systems.

6. Marketing is a philosophy based on consumer orientation and satisfaction

7. Marketing had dual objectives - profit making and consumer satisfaction

Nature of Marketing evolves from its multidisciplinary coverage of activities which is as follow:

- 1. Dynamic Process:** Marketing is an ongoing activity which does not stop at any step. After finding customer's needs and wants it needs to develop such products or services which can satisfy these needs and after this there is need to advertising, promotion, distribution, etc the process goes on.
- 2. Customer Oriented:** Marketing is customer oriented. Marketing is the process of finding needs and wants of customers and satisfying those needs profitably.
- 3. All Encompassing:** Marketing is all encompassing, it is not a single process it includes production planning, research, advertising, financial management, budgeting, selling, etc.
- 4. Integrating:** It integrates all the departments of an enterprise be it production, finance, IT, HR, etc.
- 5. Creative:** Marketing is creative in nature; it looks out for new ideas, views and activities and solves problems or en cash opportunities in a creative way.

Scope of Marketing:

1. Study of Consumer Wants and Needs

Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

2. Study of Consumer behavior

Marketers perform study of consumer behavior. Analysis of buyer behavior helps marketer in market segmentation and targeting.

3. Production planning and development

Product planning and development starts with the generation of product idea and ends with the product development and commercialization. Product planning includes everything from branding and packaging to product line expansion and contraction.

4. Pricing Policies

Marketer has to determine pricing policies for their products. Pricing policies differs form product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

5. Distribution

Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

6. Promotion

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

7. Consumer Satisfaction

The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

8. Marketing Control

Marketing audit is done to control the marketing activities.

9. Branding

Branding of products is adopted by many reputed enterprises to make their products popular among their customer and for many other benefits. Marketing manager has to take decision regarding the branding policy, procedures and implementation programs.

10. Packaging

Packaging is to provide a container or wrapper to the product for safety, attraction and ease of use and transportation of the product.

1.5 FUNCTIONS OF MARKETING

To achieve success in your marketing effort you need to have glimpse of the big pictures and the activities you need to perform in achieving your set marketing objectives, these activities is referred to as marketing function.

It refers to those specialize activities that you as a marketer must perform in order to achieve your set marketing objectives.

They are:

1. Researching
2. Buying
3. Product development and management
4. Production
5. Promotion
6. Standardization and grading
7. Pricing
8. Distribution
9. Risk bearing
10. Financing
11. After sales-service

(1)Research Function: The research function of marketing is that function of marketing that enables you to generate adequate information regarding your particular market of target. You must carry out adequate research to identify the size, behavior, culture, believe, genders etc. of your target market segment, their needs and want, and then develop effective product that can meet and satisfy these market needs and want.

(2)Buying Function: The function of buying is performed in order to acquire quality materials for production. When you design a good product concept, you should also ensure you're buying the essential materials for the product. This function is carried out by the purchase and supply department, but your specifications of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.

(3)Product Development and Management: Product development is an essential function of marketing since it was the duties of the marketing department to identify what the market need or want and then design effective product based on the identified need and want of the market. Product development passes through some basic stages carried out by the marketers to develop a targeted market specified product. And you can also manage your product by evaluating it performance and changing them to fit the current market trend.

(4)Production Function: Production is the function performs by the production department. Though, this is interrelated to the department of marketing, because your product must possess the essential characteristics that can meet the target market needs and want as identified during your market research, such characteristics as in your product Test, Form, Packaging etc.

(5)Promotion Function: Promotion is one of the core functions of marketing since your finish product must not remain in the place of production, hence, you as a marketer must design effective communication strategies to informing the availability of your product to your target market.

You must be able to design effective strategies to communicate your product availability and features to your target market, such strategies as in; advertisement, personal selling, public relation etc.

(6)Standardization and Grading: The function of standardization is to establish specified characteristics that your product must conform to, such standard as in having a specify test, ingredient etc. That makes your product brand so unique.

Grading comes in when you sort and classify your product into different sizes or quantities for different market segments while maintaining your product standard.

(7) Pricing Function: The function of pricing on your product offerings by designing effective pricing systems based on your product stage and performance in the product life cycle. Price is the actual value consumers perceive on your product, so you as a marketer should ensure that your value of your product is not too high or too low to that of your customers.

(8) Distribution Function: The function of distribution is to ensure that your product is easily and effectively moved from the point of production to the target market, the kind of transportation system to employ e.g. Road, rail, water or air, and ensures that the product can be easily accessed by customers. You as a Marketer should also design the kind of middlemen to engage in the channel of distribution, their incentives and motivations etc.

(9) Risk Bearing Function: The process of moving a finished product from the point of production to the point of consumption is characterized with lots of risks, such risks as in product damaging, pilferage and defaults etc. So you must provide effective packaging system to protect your product, good warehouse for the storage of your product until they are needed, effective transportation system to speedily deliver your product on time.

(10) Financing Function: Financing deals with the part of marketing to providing incomes for your business. It refers to how you can raise capital to start operation and remain in business. It refers to your modes of payment for the goods and services transferred to your customers.

(11) After sales-service: In a more complex and technical product, you as a marketer should make provision in order to assist your customers after they have purchased your product. In terms of machines or heavy equipment product that requires installation or maintenance, most marketing organizations render such services like installing the machine or maintaining it for stipulated periods on time for free or by a little service charge.

After sales services is an effective marketing strategy to building a long lasting customer relationship, staying ahead of your competitors while making profit for your organization.

Adequate understanding of these functions enables you as a marketer to know what is required to be done to having an effective transfer of ownership between you and

your costumers, creating a big picture of your business, while also making profit for your organization.

1.6 OBJECTIVES OF MARKETING

The major objectives of marketing are as follows:

1. To satisfy the customers: The marketing manager must scientifically study the demands of customers before offering them any goods or services. Selling the goods or services is not that important, as the satisfaction of the customer's needs. Modern marketing thus always begins and ends with the needs of customers.

2. To increase profits for the growth of the business: The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

3. To generate customer base for the business: The Marketing manager must attract more and more customers to buy the firm's products and services. This will also result into increased sales.

4. To determine marketing-mix that will satisfy the needs of the customers. Product, pricing, promotion and physical distribution should be so planned as to meet the requirements of different kinds of customers.

5. To increase the quality of life of people: Marketing Management attempts to increase the quality of life of the people by providing them better products at reasonable prices. It facilitates production and distribution of a wide variety of goods and services for use by the customer.

6. To create good image: To build up the public image of firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers. The marketing manager attempts to increase the goodwill of its business by initiating image building activities. If a firm enjoys goodwill in a market, it will increase the morale of its sales-force. They will show greater loyalty and will develop a sense of service to the customers. This will further enhance the reputation of the business.

When setting marketing objectives for your micro-business, you should follow the **SMART** approach.

1.7 SUMMARY

Marketing is regarded as an activity involving the buying and selling of products and services. The entire effort in managing the function is aimed at attaining the marketing objectives of satisfying the needs of customer, business and society. The consumer must get value satisfaction out of the products and services delivered to him by company and who in the process must earn profits sufficient to ensure its survival, growth and stability.

The scope of the area called marketing has been shown to be exceptionally broad. Marketing has micro/macro dimensions. Profit sector/nonprofit sector dimensions and positive/normative dimensions. Reasonable people may disagree as to which combination of these dimensions represents the appropriate total scope of marketing.

1.8. KEY WORDS

- ◆ **Specific** – Determine exactly what needs to be achieved.
- ◆ **Measurable** – Express objectives in measurable terms such as key performance indicators, outcomes, numbers, percentage, dollars, etc.
- ◆ **Action-oriented** – State which actions need to be taken and who will take them.
- ◆ **Realistic** – Objectives should be achievable with the resources available.
- ◆ **Time Specific** – Specify time frames and schedules for achievement or completion.

1.9 SELF ASSESSMENT QUESTIONS

1. What is marketing?
2. Briefly discuss the evolution of marketing.
3. Explain the nature and scope of marketing.
4. Discuss the various functions of marketing
5. Explain the objectives of marketing
6. Differentiate between customer and consumer
7. Bring out the difference between goods and services

1.10 REFERENCES

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UNIT - 2 : MARKETING MANAGEMENT

STRUCTURE:

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Meaning/Definition of Marketing Management
- 2.3 Importance of Marketing Management
- 2.4 Nature and Scope of Marketing Management
- 2.5 Difference between Marketing and Selling
- 2.6 Marketing Management Responsibility
 - 2.6.1 Role and Responsibilities of Marketing Manager
- 2.7 Summary
- 2.8 Key Words
- 2.9 Self Assessments Questions
- 2.10 References

2.0 OBJECTIVES

After studying this unit, you should be able to;

- Define Marketing Management
- Explain the importance of Marketing Management
- Differentiate between marketing and selling
- Explain the role of marketing management

2.1 INTRODUCTION

Marketing Management represents an important functional area of business management efforts for the flow of goods and services from the producer to the consumers. It looks after the marketing system of the enterprise. It has to plan and develop the product on the basis of known consumer demand. It has to build up appropriate marketing plan or marketing mix to fulfil the set goals of the business. It has to formulate sound marketing policies and programmes.

Marketing management has to implement marketing strategies, programmes and campaigns. Finally it must evaluate the effectiveness of each part of marketing mix and introduce necessary modification to remove discrepancies in the actual execution of plans, policies, strategies, procedures and programmes.

Marketing management is a business discipline which focuses on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Globalization has led firms to market beyond the borders of their home countries, making international marketing highly significant and an integral part of a firm's marketing strategy. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. In part, this is because the role of a marketing manager can vary significantly based on a business's size, corporate culture, and industry context. For example, in a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product. To create an effective, cost-efficient marketing management strategy, firms must possess a detailed, objective understanding of their own business and the market in which they operate. In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

Marketing management usually represents all managerial efforts and function to operate the marketing concepts not only in letter but also in spirit. The survival and

growth of any business depends upon profitability and when marketing management becomes a good practitioner of marketing concepts, profitability and growth are duly assured.

2.2 MEANING/DEFINITION OF MARKETING MANAGEMENT

The application, tracking and review of a company's marketing resources and activities. The scope of a business' marketing management depends on the size of the business and the industry in which the business operates. Effective marketing management will use a company's resources to increase its customer base, improve customer opinions of the company's products and services, and increase the company's perceived value.

“Management is the processes of planning, organizing directing motivating and coordinating and controlling of various activities of a firm. Marketing is the process of satisfying the needs and wants of the consumers.”

Management Guru Philip Kotler defines as “Marketing Management is the analysis, planning, implementation and control of programmes designed to bring about the desired exchanges with target audiences for the purpose of personal and mutual gain. It relies heavily on adoption and coordination of the product, price, promotion and place for achieving response”.

In other words, a business discipline, which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities, is Marketing Management.

2.3 IMPORATNCE OF MARKETING MANAGEMENT

Marketing Management is an integral part of any business venture. It is therefore very vital for all managers to master all essential skills in this field in order to realize the goal of their businesses. The sole role of studying this discipline is to enable the market managers to know the ideal customers, the appropriate time to market a product, the ideal price, the right place and the most appropriate product to market.

Ways of Boosting Marketing Management Skills

◆ **Selecting the right market** – It is essential to learn how to choose the best market so as to get new consumers and even retain the old ones. A good marketing manager should therefore understand the forces of demand and supply in the market. This helps in meeting the consumers demand at different times. This is also very essential in boosting the volume of sales for a given period of time. When choosing the right market they are various factors that must be considered such as the location and size of the business.

- ◆ **Gains and losses assessment** – Understanding the market dynamics is also essential in analyzing possibilities of making a gain or incurring a loss in any business.
- ◆ **Investing a lot of money** in promoting a product that is not in high demand can at times result to huge losses. Marketing a product that is in high demand is very easy and cost effective. This therefore maximizes the chances of making huge gains.
- ◆ **Effective means of communication** – Good communication between the marketer and customers is also very important in business. This helps in attracting more potential customers and therefore increasing the volume of sales. It is important to ensure that the business has an effective customer service support team. This ensures that the consumers review on the product is considered.
- ◆ If they are not satisfied with the product it is the duty of the marketing manager to come up with ideal strategies to improve the brand. Other potential consumers mostly refer to the consumers review about a certain product before buying it. This is common particularly in online marketing.
- ◆ **Proper management of all marketing departments** – Succeeding in marketing management involves proper running of marketing departments namely: sales, pricing, operations and finance.
- ◆ **Research on business and the market** – Studying in depth details about the business assists in strategizing on the most appropriate ways to market a product. Strategic planning and marketing management should therefore go hand in hand. The most important approaches used in strategic planning include: competitor analysis, company analysis and customer analysis. Competitor analysis involves analyzing the prices of the competitor products and their nature. This helps the company to prospect the profit. The company is also able to note the weaknesses and strength in order to come up with ideal ways of making more sales. The most popular approaches used when doing market research include: general observation skills, experimental skills, quantitative marketing research and qualitative marketing research.
- ◆ **Making strategic decisions** – After in depth study and research on business and other market dynamics, it is easy to design viable marketing strategies.

Major Benefits of Good Marketing Management

- Helps in cutting production cost.
- Helps in cutting promotion cost.
- Assists in budgeting within a short time frame.
- Equips market managers with ideal skills to meet the customer's tastes and demand.

- Helps in identification of marketing trends with demographic and psycho-graphical information on business prospects.
- Equips marketers with work flow management skills.
- Assists marketers to make vital marketing decisions based on reliable data.
- Assists marketers to prepare marketing budget based on empirical data.
- Helps marketers in assessment of marketing progress, cost and effectiveness of various marketing strategies.
- Helps marketing managers to quantify new customers from various sources of marketing.
- Equips marketers with ideal techniques to track and measure the business prospects.
- This the most convenient and cost effective way to strategize on how to beat other competitors in the market.
- This helps the marketer to come up with viable product promotion techniques.
- Equips marketers with reliable strategic planning techniques to boost volume of sales so as to realize the specified business goal.

2.4 NATURE AND SCOPE OF MARKETING MANAGEMENT

It Combines the Fields of Marketing and Management:

As the name implies, marketing management combines the fields of marketing and management. Marketing consists of discovering consumer needs and wants, creating the goods and services that meet those needs and wants; and pricing, promoting, and delivering those goods and services. Doing so requires attention to six major areas - markets, products, prices, places, promotion, and people.

Management is getting things done through other people. Managers engage in five key activities - planning, organizing, staffing, directing, and controlling. Marketing management implies the integration of these concepts.

Marketing Management is a Business Process:

Marketing management is a business process, to manage marketing activities in profit seeking and non profit organizations at different levels of management, i.e. supervisory, middle-management, and executive levels. Marketing management decisions are based on strong knowledge of marketing functions and clear understanding and application of supervisory and managerial techniques. Marketing managers and product managers are there to execute the processes of marketing management. We, as customers, see the results of such process in the form of products, prices, advertisements, promotions, etc.

Marketing Management is Both Science and Art:

“Marketing management is art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.” (Kotler, 2006). Marketing management is a science because it follows a general principle that guides the marketing managers in decision making. The Art of Marketing management consists in tackling every situation in a creative and effective manner. Marketing Management is thus a science as well as an art.

2.5 DIFFERENCE BETWEEN MARKETING AND SELLING

Marketing:

- ◆ Identifies appropriate prospects
- ◆ Effectively communicates image and capabilities of the firm
- ◆ Creates awareness of, and emphasizes an appeal—a differentiation factor—about the firm
- ◆ Perfects customer service
- ◆ Requests feedback from clients on a regular basis
- ◆ Anticipates and meets needs Marketing often necessitates cultural changes at every level in the firm
- ◆ Emphasis on consumer needs wants
- ◆ Company first determines customers needs and wants and then decides out how to deliver a product to satisfy these wants
- ◆ Management is profit oriented
- ◆ Planning is long-run-oriented in today’s products and terms of new products, tomorrow’s markets and future growth
- ◆ Stresses needs and wants of buyers
- ◆ Views business as consumer producing process satisfying process
- ◆ Emphasis on innovation on every existing technology and reducing every sphere, on providing better costs value to the customer by adopting a superior technology
- ◆ All departments of the business integrated manner, the sole purpose being generation of consumer satisfaction
- ◆ Consumer determine price, price determines cost
- ◆ Marketing views the customer last link in business as the very purpose of the business

Selling :

- Proactive seeking of prospects
- Interacting to qualify prospects
- Effective acknowledgment of the prospect's concerns
- Closing the sale-getting hired
- Following up and staying in contact when not hired
- Emphasis is on the product
- Company Manufactures the product first
- Management is sales volume oriented
- Planning is short-run-oriented in terms of today's products and markets
- Stresses needs of seller
- Views business as a good producing process
- Emphasis on staying with existing technology and reducing costs
- Different departments work as in a highly separate water tight compartments
- Cost determines Price
- Selling views customer as a last link in business

2.6 MARKETING MANAGEMENT RESPONSIBILITY

Marketing management has to assure the marketing effectiveness of a company and its product line. Marketing effectiveness depends on a combination of five activities.

- 1. Customer Philosophy:** Management accepts the importance of the market place and unsatisfied and potential customer needs and wants in formulating company plans and shaping company operation around customers.
- 2. Integrated Marketing Organization:** An organization has the staff to carry out marketing analysis, planning, implementation and control effectively. Proper coordination and integration can give us harmony and teamwork in marketing.
- 3. Adequate Marketing Information:** the marketing management has efficient marketing information system to receive the relevant information necessary to conduct effective marketing planning and control.
- 4. Strategic Orientation:** the marketing management is able to generate innovative strategies and plan for long term growth and profitability.
- 5. Operational Efficiency:** Marketing plans are implemented in cost effective manner, and result are monitored for rapid corrective action.

Marketing management has to fulfill the following responsibilities in particular.

- ◆ Sales and market analysis
- ◆ Determination of marketing goals
- ◆ Sales forecasting
- ◆ Marketing budgeting
- ◆ Formulation of marketing strategies, policies and procedures.
- ◆ Appropriate marketing mix
- ◆ Management of distribution channel and physical distribution
- ◆ Effective communication system
- ◆ Post sales service

2.6.1 ROLE AND RESPONSIBILITIES OF MARKETING MANAGER

For most businesses, there are several different organizational approaches to marketing. The duty may lie with a single member of the team, or it could be a group responsibility. The great thing about a small team is the ability to quickly instill a marketing led ethos which can become the operational soul of your business. Larger companies may require more work!

Depending on budget availability and the skills of the team, you may choose to outsource certain elements of the marketing process (such as market research) or decide to do these jobs in-house. Key responsibilities of the marketing manager / director vary according to the business but can include:

- Instilling a marketing led ethos throughout the business
- Researching and reporting on external opportunities
- Understanding current and potential customers
- Managing the customer journey (customer relationship management)
- Developing the marketing strategy and plan
- Management of the marketing mix
- Managing agencies
- Measuring success
- Managing budgets
- Ensuring timely delivery
- Writing copy

- Approving images
- Developing guidelines
- Making customer focused decisions

The marketing role can be diverse or focused but now we'll elaborate further on some key aspects which should be at the heart of the job.

2.7 SUMMARY

Marketing Management is the function of planning, organizing, implementing and coordinating of marketing programme. Marketing Management plays an important role in building long term relationship between customers and consumers. Marketing Management helps you to manage your business in a way that allows you to understand what is going on a daily basis, the direction it is taking, how well it is following the path you set for it and finally how well the risks and complexities of conducting business are being managed. The marketing Management concepts help to highlight areas you can focus on to ensure you understand how to minimize avoidable errors. By understanding the various concepts highlighted you can ensure you know which management aspects are your strengths and which are your weaknesses. This helps you focus on the problems areas and over time ensures your business is growing in a balanced way. By understanding which management areas to focus on helps to ensure when your company hits critical mass it does not fail because you did not factor in a business management area.

When top management adopts the societal marketing concepts and recognizes marketing management as an open adaptive system with ever changing environment, the entire enterprise becomes a marketing company and the marketing management becomes synonymous with business management.

2.8 KEY WORDS

- Marketing
- Selling

2.9 SELF ASSESSMENT QUESTIONS

1. What is marketing management?
2. Discuss the nature and scope of marketing management
3. Explain the functions of marketing manger
4. Explain the market information system.
5. Differentiate between marketing and selling

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UNIT-3 : MARKETING CONCEPTS

STRUCTURE:

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Marketing Concepts
 - 3.2.1 Production Concept
 - 3.2.2 Product Concept
 - 3.2.3 Selling Concept
 - 3.2.4 Marketing Concept
 - 3.2.5 Societal Concept
 - 3.2.6 Service Concept
 - 3.2.7 Experience Concept
- 3.3 Components of Marketing Concept
 - 3.3.1 Customer Satisfaction
 - 3.3.2 Customer Relationship Management (CRM)
 - 3.3.3 Integrated Marketing
 - 3.3.4 Profitability Sales Volume
 - 3.3.5 Customer Delight
- 3.4 Benefits of Marketing Concepts
- 3.5 Summary
- 3.6 Self Assessment Questions
- 3.7 References

3.0 OBJECTIVES

After studying this unit, you should be able to;

- Define the term Marketing
- Explain the various Concepts of Marketing
- Explain the Concept of CRM
- Discuss the Components of Marketing Concepts

3.1 INTRODUCTION

Many thinking firms deliberate, from time to time, about what marketing actually means to them. Firms have been known to be very successful without having a complex marketing organization. On the other hand, some companies have been known to possess a comprehensive marketing department, supported by a myriad of sub activities belonging to the marketing function, and yet fail to achieve excellence. Marketing is one of the concepts in management studies that is often difficult to define. Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably. Marketing deals with customer. Creating customer value and satisfaction are the heart of modern marketing thinking and practice. Marketing management is a business process, to manage marketing activities in profit seeking and non profit organizations at different levels of management. Marketing management decisions are based on strong knowledge of marketing functions and clear understanding and application of supervisory and managerial techniques.

3.2 MARKETING CONCEPTS

Modern concepts of marketing are broad concepts. It means finding out the consumer and make the goods as per their needs rather than to provide them what the seller has made. Thus it is very essential for the seller to get the answer of the question what are the things which the consumer want? And how these things can be made available to them? Only then he can survive in the market and earn profit. There are 6 modern concepts of marketing which are very important from the point of view of marketer.

3.2.1 Production Concept:

The companies which use the production concept generally focus too narrowly on their own activities because according to this concept the companies think that consumer will buy the product which comes in the market. The focus of the business is not the needs of the customer, but of reducing costs by mass production. By reaching economies of scale the business will maximize profits by reducing costs. Under this concept, more importance is given to production manager in order to produce more product.

3.2.2 Product concept:

As per this concept companies give importance to the features or the quality of the product because in long run the product exists only with the quality it is giving to the consumer. In this concepts, it assumes that if the product is good and reasonably priced, it does not require promotional strategies.

3.2.3 Selling Concept:

It is not sufficient for the manufacturer to make the goods and wait for the customers. Thus, according to this concept it is very important to inform the consumer about the product which can be done through different ways of promotion. The focus here is to make the product, and then try to sell it to the target market. It is basically a push concept of marketing concerned with selling the produced products and making profits, without caring what the customer needs. Under the concept, the more importance given to sales manager in order to wipe out the stock lying in warehouse. In this method, more training and development programme are conducted to increase the efficiency of sales manager.

3.2.4 Marketing Concept:

Consumer now a day is treated as “GOD”. So it is very important for the manufacturer to produce the product which the consumer wants, so that consumer get satisfaction and manufacturer earns profit. Puts the customer first and at the heart of the business. The organization tries to understand the needs of the customers by using appropriate research methods, processes and developing products to satisfy their needs. In essence all activities in the organization are based around the customer. The customer is the truly king. In today’s competitive world putting the customer at the heart of the operation is strategically important. Whilst some organizations in certain industries may follow anything other than the market orientation concept, those that follow the market orientation concept have a greater chance of being successful.

3.2.5 Societal Concept:

This concept means that company should not only work for the consumer but also for the society. So the company should make balance between company’s profits, consumer wants and society welfare. The societal marketing concept holds that tile organization should determine the needs, wants and interest of target markets. It should there deliver superior value to customers in a way that maintains or improves the consumers and the society’s well being. It questions whether tile pure marketing concept is adequate in an age of environmental problems resource shortage, rapid population growth,

worldwide economic problems and neglected social services. The societal marketing concept calls on marketers to balance three considerations in setting, their marketing policies and company profits.

3.2.6 Service Concept:

Customer buy services, not product. So the company should adopt a service model of marketing instead of selling the title to the products. Customers buy products fro the service of transportation. When another customer buys an and conditioner. He is essentially buying cool atmosphere. So the customer may buy a car or an air conditioner for the prestige that the ownership of these products provide, but for most products the main reason for the customer buying them is the service that these products provide.

3.2.7 Experience Concept:

The market: the marketer should create an experience around the product to make it immovable, and movable it Cues at every customer interaction point. An experience occurs when a company intentionally uses services as tile stair, aid goods as props to engage individual customers in a way that creates an immovable event. While product and services are external to the customer. Experiences are inherently personal, existing only in the mind of an individual who has been engaged on an emotional, physical, intellectual or even spiritual level. No two people can have same experience, because each experience derives from the interaction between the staged event and the individual's state of mind.

3.3 COMPONENTS OF MARKETING CONCEPT

3.3.1 Customer Satisfaction

3.3.2 Customer Reletionship Management (CRM)

3.3.3 Integrated Marketing

3.3.4 Profitability Sales Volume

3.3.5 Customer Delight

3.3.1 Customer Satisfaction:

‘**Customer satisfaction** is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as “the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals.” In a survey of nearly 200 senior market-

ing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

“Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty.” “Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold:”

1. “Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company’s goods and services.”
2. “Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm’s customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes.” On a five-point scale, “individuals who rate their satisfaction level as ‘5’ are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as “The percentage of surveyed customers who indicate that they would recommend a brand to friends.” When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) “Individuals who rate their satisfaction level as ‘1,’ by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers.

3.3.2 Customer Relationship Management (CRM):

Customer Relationship Management (CRM) is a system for managing a company’s interactions with current and future customers. It involves using technology to organize, automate and synchronize sales, marketing, customer service, and technical support.

Customer relationship management systems track and measure marketing campaigns over multiple networks. These systems can track customer analysis by customer clicks and sales. Places where CRM is used include call centers, social media, direct mail, data storage files, banks, and customer data queries. It helps you to find customer’s profile as well.

3.3.3 *Integrated Marketing:*

Integrated Marketing Communication (IMC) is the application of consistent brand messaging across both traditional and non-traditional marketing channels and using different promotional methods to reinforce each other.

Components of Integrated Marketing Communications

IMC weaves diverse aspects of business and marketing together. These include:

- ◆ **Organizational culture**

- The organization's vision and mission

- Attitudes and behaviors of employees & partners

- Communication within the company

- ◆ **Four P's**

- Price, pricing plans, bundled offerings

- Product (product design, accessibility, usability)

- Promotion

- Place (point of purchase, in-store/shopper experience)

- ◆ **Advertising**

- Broadcasting/mass advertising: broadcasts, print, internet advertising, radio, television commercials

- Outdoor advertising: billboards, street furniture, stadiums, rest areas, subway advertising, taxis, transit

- Online advertising: mobile advertising, email ads, banner ads, search engine result pages, blogs, newsletters, online classified ads, media ads

- ◆ **Direct marketing:** direct mail, telemarketing, catalogs, shopping channels, internet sales, emails, text messaging, websites, online display ads, fliers, catalog distribution, promotional letters, outdoor advertising, telemarketing, coupons, direct mail, direct selling, grassroots/community marketing, mobile

- **Online/internet marketing**

- E-commerce

- Search engine optimization (SEO)

- Search engine marketing (SEM)

- Mobile Marketing

- Email marketing

- Content marketing

Social Media (Facebook, Twitter, LinkedIn, Google +, Foursquare, Pinterest, YouTube, Wikipedia, Instagram)

◆ **Sales & customer service**

Sales materials (sell sheets, brochures, presentations)

Installation, customer help, returns & repairs, billing

◆ **Public Relations**

Special events, interviews, conference speeches, industry awards, press conferences, testimonials, news releases, publicity stunts, community involvement, charity involvement & events

• **Promotions**

Contests, coupons, product samples (freebies), premiums, prizes, rebates, special events

◆ **Trade shows**

Booths, product demonstrations

◆ **Corporate philanthropy**

Donations, volunteering, charitable actions

When these diverse aspects of business and marketing are weaved together properly an effective campaign can be achieved. Effective campaigns are demonstrated on the Integrated Brands showcase which recognizes brands that are innovative, strategic and successfully growing their sales. By effectively leveraging each communication channel greater impact can be achieved together than achieved individually.

3.3.4 Profitability Sales Volume:

Marketing starts with generation of product idea and continues until the customer's wants are completely satisfied. Marketing is successful only when it is capable of maximizing profitable sales and achieves the long run customer satisfaction.

Thus the modern marketing concept is a course of business thinking, while marketing is a process or course of business action.

3.3.5 Customer Delight:

Customer delight is surprising a customer by exceeding his/her expectations and thus creating a positive emotional reaction. This emotional reaction leads to Word of Mouth. Customer Delight directly affects sales and profitability of a company as it helps to distinguish the company and its products and services from the competition. In the past customer satisfaction has been seen as a key performance indicator. Customer

satisfaction measures the extent to which the expectations of a customer are met (compared to expectations being exceeded). However, it has been discovered that mere customer satisfaction does not create brand loyalty nor does it encourage positive word of mouth. Customer Delight can be created by the product itself, by accompanied standard services and by interaction with people at the front line. The interaction is the greatest source of opportunities to create delight as it can be personalized and tailored to the specific needs and wishes of the customer. During contacts with touch points in the company, more than just customer service can be delivered. The person at the front line can surprise by showing a sincere personal interest in the customer, offer small attentions that might please or find a solution specific to particular needs. Those front line employees are able to develop a relationship between the customer and the brand. Elements in creating motivated staff are: recruiting the right people, motivating them continuously and leading them in a clear way.

3.4 BENEFITS OF MARKETING CONCEPTS

1. Marketing concept has philosophical and strategic implications as it allows the business firm to direct its activities towards the broader and long range objectives like sustained interaction with the customer, and stability and growth of the business.
2. Marketing concepts leads to fallow an integrated and coordinated approach to marketing. By concentrating on consumer's wants, marketing management can evaluate contribution made by different departments of the firm in a better way.
3. Concern about market or customer needs rather than product reduces the changes of a business firm becoming a sick unit.
4. A customer orientated company would track its customer satisfaction level and set improvements goals. Customer satisfaction is the best indicator of the company's future profits.
5. A satisfied customer pays less attention to competing brands and gives repeat orders.

3.5 SUMMARY

Marketing is regarded as an activity involving the buying and selling of products and services. The entire effort in managing the function is aimed at attaining the marketing objectives of satisfying the needs of customer, business and society. Broadly there are four types of managerial orientations namely, production, sales, promotion and consumer. The consumer orientation of management is best reflected in the adoption of the marketing concept, which focuses on the consumer needs and wants. There are

organizational problems, but problems can be overcome by a planned and systematic, implementation of the marketing concept.

3.6 SELF ASSESSMENT QUESTIONS

1. Define marketing concept.
2. What do you mean by customer satisfaction?
3. Define customer delight.
4. Explain the various concepts of marketing management
5. Discuss the components of marketing concepts
6. Write a short note on Experience concept

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UNIT - 4 : TRENDS IN MARKETING

STRUCTURE:

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Marketing Myopia
- 4.3 Digitalization of Marketing
- 4.4 Emerging trends in Marketing
- 4.5 Social Marketing
- 4.6 Ethical and Legal Aspects of Marketing
- 4.7 Meaning of Green Marketing
- 4.8 Importance of Green Marketing
- 4.9 Cyber Marketing/ Internet Marketing
- 4.10 Inbound Versus Outbound Marketing
- 4.11 Types of Areas in Internet Marketing
- 4.12 Introduction to Viral Marketing
- 4.13 Guerrilla Marketing
- 4.14 Neuro Marketing
- 4.15 Introduction to Customer Relationship Marketing (CRM)
- 4.16 Summary
- 4.17 Self Assessment Questions
- 4.18 References

4.0 OBJECTIVES

After studying this unit, you should be able to;

- Define Marketing Myopia
- Explain the concept of Digitalization
- Discuss the emerging trends in Marketing

4.1 INTRODUCTION

Everyone knows that the Internet age has changed the way we all experience, store, and share information. For marketing professionals, this opens up many new options for putting together communications strategies. It also means that keeping a constant ear to both domestic and global change can only be good for business. Just as buyers can access more facts and figures, they also have more control over their relationship to producers. Emerging trends, such as big data, social media, social CRM, augmented reality and context-aware computing, create new opportunities to acquire and retain customers, fueling growth and taking market share. Emerging trends in marketing strategy there will be the inevitable mention of Mobile Computing, Social Media Presence and perhaps the increased power of analytics through such things as Big Data.

4.2 MARKETING MYOPIA

The term marketing myopia coined by Theodore Levitt. It refers to the short sightedness. The marketer wants to sell the product and services, without much focusing on the customer demands and needs. Marketing Myopia suggests that businesses will do better in the end if they concentrate on meeting customers' needs rather than on selling products.

The customer's lifetime value can rise above myopia to a certain extent. This can entail the use of long-term profit objectives (sometimes at the risk of sacrificing short term objectives).

4.3 DIGITALIZATION OF MARKETING

Digital marketing is marketing that makes use of electronic devices (computers) such as personal computers, smart phones, cell phones, tablets and game consoles to engage with stakeholders. Digital marketing applies technologies or platforms such as websites, e-mail, apps (classic and mobile) and social networks. Social Media Marketing is a component of digital marketing. Many organizations use a combination of traditional and digital marketing channels.

In **pull** digital marketing, the consumer actively seeks the marketing content, often via web searches or opening an email, text message or web feed Websites, blogs and streaming media (audio and video) are examples of pull digital marketing. In each of these, users have to navigate to the website to view the content. Only current web browser technology is required to maintain static content. Search engine optimization is one tactic used to increase activity.

In **push** digital marketing the marketer sends a message without the recipient actively seeking the content, such as display advertising on websites and news blogs. Email, text messaging and web feeds can also be classed as push digital marketing when the recipient has not actively sought the marketing message.

Some of the latest developments include: 1. **Segmentation:** More focus has been placed on segmentation within digital marketing, in order to target specific markets in both business to business and business to consumer sectors. 2. **Influencer Marketing:** Important nodes are identified within related communities, known as influencers. This is becoming an important concept in digital targeting. It is possible to reach influencers via paid advertising, such as Face book or Google Ad sense campaigns, or through sophisticated SCRM (social customer relationship management) software, such as Microsoft Dynamics and Sales force CRM. Many universities now focus, at Masters Level, on engagement strategies for influencers.

A **digital marketing system (DMS)** is a method of centralized channel distribution used primarily by SaaS products. It combines a content management system (CMS) with syndication across web, mobile, scan able surface, and social channels.

4.4 EMERGING TRENDS IN MARKETING

The existence it seems that each is chatting about gathering media. Networking platforms like Twitter and Face book have exploded in the gone two time, but the billions of users they have aren't just restricted to brood high instruct kids that want to assign photos with one another. More and more subject professionals and even complete brands are creating profiles and collecting followers through these emerging media outlets. The invention of this phenomenon has been termed communal marketing or more specifically community media marketing and the implications it has for how business will soak and profit in the next decade are massive. Strictly defined, known marketing is the ritual of with shared influential media outlets, like networking sites and other online communities, for the intent of marketing an artifact or conducting consumer relations and public outreach. In recent existence, the addict bases of these types of sites have

adult exponentially, creating these load markets of demographically diverse people all able to be reached through the same forum, the networking location itself. Now the businesses have wedged onto the verity that, when handled suitably, they too can craft personalities that survive to communicate Emerging Trends in Marketing with their audience solely via the group media groove, marketing through these media has grown as well. Commerce can gain from party marketing in a surfeit of different behavior, but one of the most important is the truth that it is a great place to disclose relatives to your website and, hence prize up a huge quantity of expected transfer. Bloggers and informational website owners have been using networking sites to share their significance for years, why shouldn't the same awareness raising techniques work for businesses with something to plug? While common marketing activity can indeed help you make sales, memorize to use a more delicate approach than you would in a natural marketing atmosphere. Users of shared media are very precision to infiltration by salesclerks that want to dishonest the very organic life of the connections you can make there. Focus instead on shop credibility and relationships with your stream and ability Emerging Trends in marketing buyer origin. When the time comes they will be great assets for diffusion the word about a new product or partnership. Another thing to recollect is that it is almost forever a good idea to develop break private and industry accounts. Even if your personal account lists you as the CEO of the company, it is better to have different outlets for your classify and your personality to nonstop themselves.

Green marketing: Marketing products and services based on environmental factors or awareness.

Social media: Websites and applications that enable users to create and share content or to participate in social networking.

Online marketing: Advertising and **marketing** efforts that use the **Web** and email to drive direct sales via electronic commerce

Direct marketing: The business of selling products or services directly to the public.

4.5 SOCIAL MARKETING

The term Social Marketing was first coined by Kotler and Zaltman in 1971 to refer to the application of marketing to the solution of social and health problems. Marketing has been remarkably successful in encouraging people to buy products such as Coca Cola and Nike trainers, so, the argument runs; it can also encourage people to adopt behaviours that will enhance their own - and their fellow citizens' lives.

Many social and health problems have behavioural causes: the spread of AIDS, traffic accidents and unwanted pregnancies are all the result of everyday, voluntary human activity. The most dramatic example of this is tobacco use, which kills one in two smokers an estimated 6 million people in the UK alone since the health consequences were first established in the early 1950's. Social marketing provides a mechanism for tackling such problems by encouraging people to adopt healthier lifestyles.

However, health problems have a social, as well as an individual, dimension. This phenomenon is most clearly demonstrated by the epidemiological data which shows that poverty is one of the most consistent and basic predictors of ill-health in the UK the USA and the southern hemisphere. The lack of opportunity, choice and empowerment it generates prevents people from adopting healthy lifestyles. Social marketing also has a great deal to offer here by influencing the behaviour, not just of the individual citizen, but also of policy makers and influential interest groups. Social marketers might target the media, organisations and policy and law makers.

Social Marketing, like generic marketing, is not a theory in itself. Rather, it is a framework or structure that draws from many other bodies of knowledge such as psychology, sociology, anthropology and communications theory to understand how to influence people's behaviour. Like generic marketing, social marketing offers a logical planning process involving consumer oriented research, marketing analysis, market segmentation, objective setting and the identification of strategies and tactics. It is based on the voluntary exchange of costs and benefits between two or more parties. However, social marketing is more difficult than generic marketing. It involves changing intractable behaviours, in complex economic, social and political climates with often very limited resources. Furthermore, while, for generic marketing the ultimate goal is to meet shareholder objectives, for the social marketer the bottom line is to meet society's desire to improve its citizens' quality of life. This is a much more ambitious - and more blurred - bottom line.

THE DEVELOPMENT OF SOCIAL MARKETING

Social Marketing evolved in parallel with commercial marketing. During the late 1950s and early 1960s, marketing academics considered the potential and limitations of applying marketing to new arenas such as the political or social. For example, in 1951, Wiebe asked the question, “Can brotherhood be sold like soap?”, and suggested that the more a social change campaign mimicked that of a commercial marketing campaign, the greater the likelihood of its success.

To many, however, the idea of expanding the application of marketing to social causes was abhorrent. Luck objected on the grounds that replacing a tangible product with an idea or bundle of values threatened the economic exchange concept. Others feared the power of the marketing, misconceiving its potential for social control and propaganda. Despite these concerns, the marketing concept was redefined to include the marketing of ideas and the consideration of its ethical implications.

DEFINITIONS OF SOCIAL MARKETING

A social marketing campaign or programme contains the following elements: a consumer orientation, an exchange and a long-term planning outlook .

1. A Consumer Orientation

Consumer orientation is probably the key element of all forms of marketing, distinguishing it from selling - and product - and expert-driven approaches. In social marketing, the consumer is assumed to be an active participant in the change process. The social marketer seeks to build a relationship with target consumers over time and their input is sought at all stages in the development of a programme through formative, process and evaluative research.

2. An Exchange

Social marketing not only shares generic marketing’s underlying philosophy of consumer orientation, but it also its key mechanism, exchange. While marketing principles can be applied to a new and diverse range of issues - services, education, high technology, political parties, social change - each with their own definitions and theories, the basic principle of exchange is at the core of each. According to Kotler: “marketing does not occur unless there are two or more parties, each with something to exchange, and both able to carry out communications and distribution”.

Exchange is defined as an exchange of resources or values between two or more parties with the expectation of some benefits. The motivation to become involved in an exchange is to satisfy need. Exchange is easily understood as the exchange of goods for

money, but can also be conceived in a variety of other ways: further education in return for fees; a vote in return for lower taxes; or immunisation in return for the peace of mind that one's child is protected from rubella.

3. Long-term Planning Approach

Like generic marketing, social marketing should have a long term outlook based on continuing programmes rather than one-off campaigns. It should be strategic rather than tactical. This is why the marketing planning function has been a consistent theme in social marketing definitions, from Kotler in 1971 to Andreasen in 1996.

The social marketing planning process is the same as in generic marketing. It starts and finishes with research, and research is conducted throughout to inform the development of the strategy. A situational analysis of the internal and external environment and of the consumer is conducted first. This assists in the segmentation of the market and the targeting strategy. Further research is needed to define the problem, to set objectives for the programme and to inform the formulation of the marketing strategy. The elements of the social marketing mix are then developed and pre-tested, before being implemented. Finally, the relative success of the plan is monitored and the outcome evaluated.

4. Moving Beyond the Individual Consumer

Social marketing seeks to influence the behaviour not only of individuals but also of groups, organisations and societies. Levy and Zaltman suggest a sixfold classification of the types of change sought in social marketing, incorporating two dimensions of time (short term and long term) and three dimensions of level in society (micro, group, macro). In this way social marketing can influence not just individual consumers, but also the environment in which they operate.

4.6 ETHICAL AND LEGAL ASPECTS OF MARKETING

In a rapidly evolving marketing environment, the demarcation of legal and ethical issues have a thin line at the base that ultimately turns out to be ambiguous to a marketer since he is more interested in the functional side of the routine activities of the business. The legal and ethical issues turn to be very important for any marketer due to abundant choices, while facing fierce competition in the existing business environment and therefore it becomes crucial for a marketer to adhere to the corporate values solidly based on a moral judgment.

Ethical and legal matters for a marketer are always both simple and complex because it always has a bearing on the way one approaches towards a frame of reference.

A good marketing executive always attempts to strike out differences between legal and ethical issues and tries to his best to bring out an early solution in case of any confusions arising. The diverse nature of organizations and differences in personal values makes it mandatory to maintain a code of conduct which would prevent wrong doings. The strategic decisions taken by a marketer has an effect on all the stakeholders which would warrant maintaining integrity through uncomplicated legal and ethical decisions. As a result of this, compliance programs are a must for developing relationship with stakeholders based on trust.

The marketing functions include persuasion and influencing the consumer behavior which is underlined by moral values. Marketing campaigns is one of the areas which is most discussed when it comes to the legal and ethical issues in marketing. One of the functions of marketing is the process of communicating the products or services to the prospective customers. Every organization tries to market their products, service in an efficient and effective way. Advertising is an area which would require stricter laws and code of conduct when it comes to the style, content and delivery aspects. There is liberty with the large organizations to spend billions of rupees on marketing campaigns whereas small & medium organizations fail to market their products/services in an effective manner due to various issues like budgetary constraints. Although it is legal to spend on campaigns with huge advertising budgets but the question of the hour would be if it is an ethical practice to actually do it. There is a close relationship between ethics and the law and it is the existence of law which crafts the ethics or values enforceable. The fulfillment of the legal obligation by the marketing companies in no way means that the ethical justice has been accomplished. The practices adopted by the organizations as a whole or a marketer as an individual might be legal but again it might be ethically questionable.

(i) Ethical Issues in Marketing

When a legal approach does not provide a viable solution, the next question that arises is whether it would be an ethical choice to move forward. Ethical behavior is mandatory if a free market is to function efficiently and effectively. Ethics are regarded as moral guidelines which govern good behaviour. Being ethical in business is majorly regarded as the best business practices. An ethical decision on one hand is both legal and on other hand meets the shared ethical standards of the community from the broader perspective. The unethical practices of the company damage the company's brand name . for example : Nike's case of employment of children in the company under bad work conditions.

Hence, a de-marketing exercise can have devastating effects from the long term perspective. That is the justification behind the fact that True Marketing is considered as

much more than just sorting out the mistakes in marketing area. True Marketing is the moral platform on which the company is based and it should apply to everyone and in everything one does. When a company markets a product it is expected that the truth be stated about the product and consequently false promises are soon discovered and many consumer groups have destroyed those firms who have misrepresented their product.

Today we witness cut throat competition between various brands existing in the Indian market. It becomes all more crucial for any company to follow the ethical practices because brands stand as symbols for the total quality of a company and to the viewpoint of many customers, become the company, or embody the relationship with the company as such .The goals of the marketing department are to target an audience, appeal to that audience, and get the audience to purchase that particular product or service. In doing this, a company must make sure that they are first abiding by all laws and regulations, but they should also strive to be sure that they are acting ethically and honestly. Social responsibility in marketing ethics refers to an organization's obligation to maximize its positive impact and minimize its negative impact on society. By contrast, ethics relates to the marketing decisions made primarily by individuals; "social responsibility concerns the impact of an organization's decisions on society"

Ethical issues in marketing have received substantial discussion in the past decade. The ethical principles has been utilized exclusively by marketing practitioners but when it comes to actual decision making we see very less evidence in regards to the adoption of ethical principles. One of the areas where it applies to a larger extent is Ambush marketing which is an effort by a company to relate its own brand to a sponsored activity without acquiring official rights.

There would always be gray areas existing in the business environment but it would be the companies call to take the right course of action which would be as per the interest of the consumers and maintain the integrity of the business.

(ii) Legal Issues in Marketing

When we discuss legal issues in marketing, it becomes very important to understand that for many issues in the marketing arena there are no readily available solutions emerging from the legal domain although there is a general mandate to exist within the legal framework. It means that company has to follow laws, regulations and ethics simultaneously not one part only. No company can exist out of the legal framework of the country. They have to operate within the legal framework within the respective country. Sometimes they also have to follow international standards and norms to comply international treaties and conventions. In India, there are Government and private bodies to govern when it comes to marketing campaigns in India. There are recent instances in

which these bodies have become to a certain extent active and followed strict measures. We would have a look at some instances as follows:

I. Ministry of Information and Broadcasting, Govt. of India

It was in May 2011 when the Ministry of Information and Broadcasting banned certain television commercial for men's deodorants while claiming that it wanted to curb ads targeted at tickling the libidinous male instincts and portraying women "as lustily hankering after men under the influence of such deodorants.

II. Food and Standard Authority of India

The Food Safety and Standards Authority of India (FSSAI) had directed the state food safety commissioner to scrutinize and initiate stringent actions against those advertisements which raised misleading claims on the quality of food and beverages. As per the directions companies were not allowed to use edible oil named 'Super Refined', 'Extra Refined', 'Micro Refined', 'Double Refined', 'Ultra Refined' and 'Cholesterol Friendly'. FSSAI had been created for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption and these advertisements allegedly try to deceive the customers. The cases will be registered under Food Safety and Standard Act, 2006 and if proved guilty, it will invite penalty of Rs. 10 lacs (Section 53 of FSS Act). The labeling of packaged food are proposed to be made more stringent as the Food Safety and Standards Authority of India (FSSAI) and once these new labeling provisions are introduced, packed food manufacturers will not be able to get away with any claim they make on the products as they have to be substantiated by a research report. The research findings will either have to be published in a respected international journal or should be verifiable by the FSSAI.

III. Telecom Regulatory Authority of India

The Telecom Regulatory Authority of India which was established in 1997 issued notification in May 2012 limiting television advertisement duration to 12 minutes in an hour taking note of viewer irritation and has come up with a proposal to regulate the duration, frequency and timings and audio level of advertisement. The industry estimates showed that this could impact advertising revenues of broadcaster by 15% to 40%. The Telecom Regulatory Authority of India has also pointed out that news and current affair channels cannot run more than two scrolls at the bottom of the screen, occupying a maximum of 10 per cent screen space. It also says that ads should not in any manner interfere with the programme use of lower part of screen to carry captions, static or moving alongside the programme.

IV. Cable Television Networks (Regulation) Act, 1995

As per the regulation 6 of Cable TV Regulation Act, No person shall transmit or re-transmit through a cable service any advertisement unless such advertisement is in conformity with the prescribed advertisement code.

V. Advertising Standards Council of India

The Advertising Standards Council of India (ASCI), established in 1985, is committed to the cause of Self-Regulation in Advertising, ensuring the protection of the interests of consumers. ASCI's Code for Self-Regulation in Advertising is now part of ad code under Cable TV Act's Rules. Violation of ASCI's Code is now violation of Govt. rules. Advertising Industry Watchdog ASCI upheld 9 complaints against Brooke Bond Red Label Natural Care, Tata sky, Nikon Camera etc. ASCI further said its Consumer Complaints Council found that complaints against five TV ads were unsubstantiated. In case of Tata Sky, ASCI said it had received a complaint against the company stating that "Cable is just a Dabba" in a print advertisement. Similarly, it had also upheld a complaint against Nikon camera's TV commercial for violation of The Performing Animals Registration Rules 2001.

However, other than these instances mentioned above, one of most crucial areas to discuss would be social marketing practices. The people share their stories by way of blogs on the Internet and its becoming quite popular information open to general public .The sharing of stories is pleasurable because both authors and readers can be relived to sharing their experiences in form of anger and happiness. With the advent of community brandings, website advertising, blog writings, tweeter groups and instant messaging, it has given rise to multitude of issues in the Indian context. The legal and ethical practices in this zone have still to be defined clearly and code of conduct still needed to be developed explicitly clearly defining the level of control over privacy and sensitivity.

The setting of legal and ethical practices over the geographical boundaries of the world would be the biggest challenge faced in this area.

4.7 MEANING OF GREEN MARKETING

Unfortunately, a majority of people believe that green marketing refers solely to the promotion or advertising of products with environmental characteristics. Terms like Phosphate Free, Recyclable, Refillable, Ozone Friendly, and Environmentally Friendly are some of the things consumers most often associate with green marketing. While these terms are green marketing claims, in general green marketing is a much broader concept, one that can be applied to consumer goods, industrial goods and even services.

For example, around the world there are resorts that are beginning to promote themselves as “ecotourist” facilities, i.e., facilities that “specialize” in experiencing nature or operating in a fashion that minimizes their environmental impact.

Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Yet defining green marketing is not a simple task. Indeed the terminology used in this area has varied, it includes: Green Marketing, Environmental Marketing and Ecological Marketing. While green marketing came into prominence in the late 1980s and early 1990s, it was first discussed much earlier. The American Marketing Association (AMA) held the first workshop on “Ecological Marketing” in 1975. The proceedings of this workshop resulted in one of the first books on green marketing entitled “Ecological Marketing”. Since that time a number of other books on the topic have been published.

4.8 IMPORTANCE OF GREEN MARKETING

The question of why green marketing has increased in importance is quite simple and relies on the basic definition of Economics: Economics is the study of how people use their limited resources to try to satisfy unlimited wants. Thus mankind has limited resources on the earth, with which she/he must attempt to provide for the worlds’ unlimited wants. In market societies where there is “freedom of choice”, it has generally been accepted that individuals and organizations have the right to attempt to have their wants satisfied. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants, both of individuals and industry, as well as achieving the selling organization’s objectives.

4.9 CYBER MARKETING/INTERNET MARKETING

Internet/Cyber Marketing is marketing of business online. How to market to people has radically changed over the last few years and it can be very confusing to businesses. Social media in particular is an area that has radically changed marketing of business. Consumers are much smarter and are not as interested in messages being broadcast to them and are therefore engaging more with social networks. Through these they are finding out what products to buy, services to use, and so on, based on trusted recommendations from their friends and family. It is estimated that 78% of the time people trust the online recommendations from the family and friends.

4.10 INBOUND VERSUS OUTBOUND MARKETING

Outbound marketing was typically the traditional approach to market business and this was known as interruption based marketing. This is where to broadcast the message through advertising and other mediums and try to grab the attention of the user. When consumers are bombarded with on average 3,000 messages a day , can understand why this form of marketing is becoming increasingly difficult. It certainly still works in some cases (for example, it can be very effective with Google advertising) but there are now other ways that can be more effective.

Inbound marketing is where business provide something of value that attracts customer. After attracting the customers to know more about the business it is build the relationship with the customer. After building the relationship and trust then to sell the products or services to the customers. This form of marketing although difficult to grasp is becoming increasingly effective.

4.11 TYPE OF AREAS IN INTERNET MARKETING

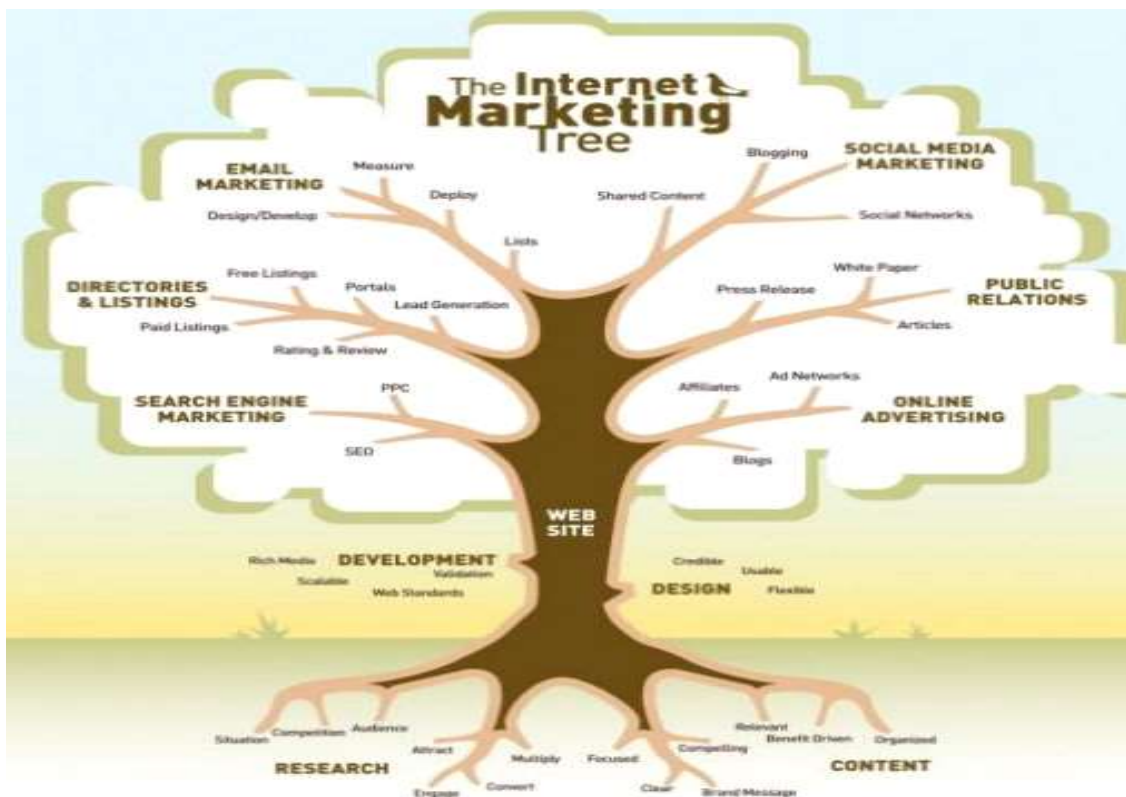


Diagram giving an overview of the type of areas in Internet Marketing

Before deciding which methods of online marketing tools to be used by the company, more effort need to be put on the following to understand the objectives.

- ◆ Research – The initial research is to figure out what other competitors are doing and what is working or not working. Copying the competitor can be easier, still need to come with the unique plan for the company.
- ◆ Strategy – Marketer need to define a clear effective strategy. It's very easy to waste time and money on internet marketing, a clear strategy will help with this. How to attract potential customers, how to engage them, how to keep in touch with them and how to convert them.
- ◆ Branding – Branding is becoming increasingly important in the online world. What message giving out online? Is the company approachable? Is information clear and compelling? What's unique about the offering? Branding consistency is extremely important in to communicate, what to communicate and how it looks. For example, always ensure the tools used online to communicate with customers have the same look and feel as the website.
- ◆ Content – Marketer need to have a clear content strategy. Content need to provide value to the potential customers.

Search Engine Optimisation

Search engines such as Google and Bing (Microsoft's competing search engine to Google) index content and try to display the most relevant information to users when they perform a search. The search engine optimisation process is about ensuring that the search engines give priority to web pages over other competing pages and there are many techniques for doing this.

On Page Optimisation

On page optimisation is the process of optimising the content within the web page to ensure that Google indexes it according to how company want to be indexed. Google goes through the page to see what is outlined what this page is about and then it goes through all the content to figure out if it agrees with this. It's important for Google to index content in a way that makes the most sense.

For example, If there is a restaurant in Dublin and wanted it to appear high on rankings within Google when someone typed in 'restaurant Dublin' then restaurant would optimise at least one page on these keywords. This means the name of the optimised page would contain the words 'restaurant Dublin', the title of the post could include this and any details displayed could display information related to restaurants around Dublin.

Off page optimisation

When somebody links to the company website, that is like someone giving a vote for an election. The more relevant votes website get the better. So Google checks to see who is linking to website and what words they are using to link to website. company need to get important web pages to link to company using the keywords company want to get indexed on. It is much better to get 10 links from 10 important and relevant websites rather than links from 1,000 poor quality sites.

Social Media

Social media is very simple. It's really about people networking online and how to communicate with people online. People are networking online with a range of different tools such as LinkedIn, Face book,Orkut and Twitter. As people spend more time on social networks they are starting to recommend products and services, share out information on their holidays, trips, products purchased and much more. Following are the most popularly used social media sites to generate sales or to create awareness about the products.

1. Twitter

Twitter is the answer to the question 'what are you doing now'. It allows people to create a text like message of up to 140 characters through a PC or on phone and send it to followers. It's a mix of business and social. People could be at home communicating what they are doing or in work.

It can be a very useful tool to market company's message to a lot of people at the same time very quickly. It can also be used to find out if people are actively looking for companys services. For example, recently I searched for 'recommend restaurant dublin' and within 1 hour of me submitting this somebody was looking for a restaurant in Dublin. So it can be very useful, however, until you master the tool it can be very time consuming to use.

2. LinkedIn

LinkedIn is a business networking tool with over 150 million users worldwide and over 66% of them are considered influencers or decision makers. User need to create personal profile on the site and then network with other people. One big advantage with LinkedIn is that when user connect with someone through the site they become part of user network and members are made aware of who is in their network. This can be a very powerful way of getting warm leads.

3. Face book

Face book is a social network with over 800 million users and is ideal for companies in the services industry to promote their business. User can create a personal profile to connect with friends and a business page to connect with the customers. By marketing through business page user can communicate directly to the fans of that page.

E-mail marketing

Although there is a lot of talk about social media, e-mail is still the primary form of online communication for a lot of people. This may change in years to come as social media becomes more important but at the moment e-mail marketing is still quite effective at keeping in touch. For items such as newsletters there are many cost effective tools available that will help manage this process and most of these tools will allow marketer to customise the look of the newsletter so that it is consistent with brand. For example, Mail Chimp allows marketer to fully customise the look and feel of the newsletter. It also lets marketer to monitor statistics such as who is opening the newsletter, who deleted it, who clicked on a link and browsed the website.

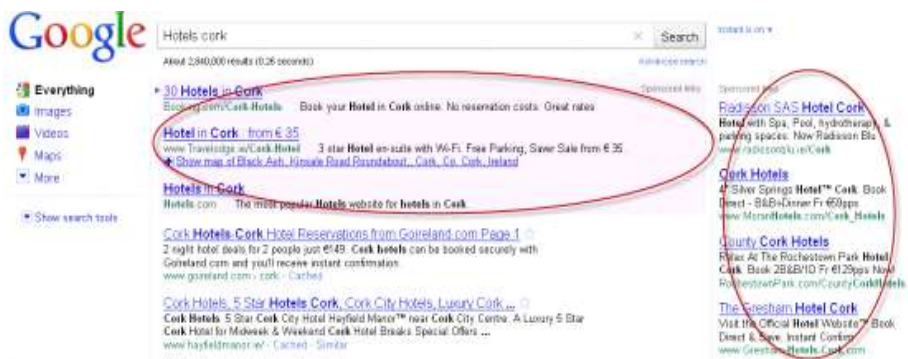
This is extremely important information to monitor as company want to continuously tweak company's newsletter to make it more effective. If marketer find that people are more engaged with any particular type of information they provide then provide a lot more of it.

Online Advertising

Although permission based marketing (e.g. social media) is growing and advertisements are not as appealing as they were, targeted online advertising can still be very effective. The following gives an outline of some of the most popular ways of advertising products online.

Google Ad words

When people search on Google, generally see advertisements to the right hand side of the search and sponsored advertisements across the top.



Companies are paying for these advertisements based on a cost per click or cost per impression basis.

- ◆ Cost per click — This means that company pay when somebody clicks on the advertisement but don't pay for it to be displayed.

- ◆ Cost per impression — This means company pay an amount every time the advertisement is displayed 1,000 times irrespective of whether someone clicks on the advertisement or not.

When company create an advertisement, it decide when the advertisement will appear and this is based on matching up with keywords that people use for searching. So if company sell boating tours on the Shannon it wants advertisement to appear when somebody searches 'boating tour shannon'. The price of this advertisement is based on an auction so it is more expensive if there are a lot of companies that are also interested in these keywords and want advertisements based on this.

There are many other factors that Google also take into account when pricing the advertisement. For example, It assigns a quality score to advertisement. If quality score is high then advertisement cost could be lower compared to another competitor with a similar ad with a lower quality score. The quality score is calculated using a variety of factors and probably the most important is the click through rate. If ad is displayed and nobody clicks on it then click through rate is 0%. Google now thinks ad is not relevant so penalises for this.

Banner Advertisements

A banner advertisement is an advertisement that appears on the website that is clickable. When user click on the advertisement ,users are brought to the website for the company that is paying for the advertisement. Here is an example of a banner advertisement on the RTE website.



The screenshot shows the IRISHTIMES.COM website interface. At the top, there is a navigation bar with links for Mobile, Follow Us, Make Homepage, RSS Feeds, Site Map, and a weather widget for Dublin. Below this is a prominent yellow banner advertisement with the text: "Over 100 Irish CEO's and 400 Irish companies will be there. Will you? Click to find out more...". To the right of the banner is a "New! Find a Hotel" button and a small image of a hotel room. The main content area features the website's logo, date (Friday, October 15, 2010), and a search bar. Below the logo are navigation links for News, Sport, Business, Comment, Life, Society, Culture, Cars, Jobs, Homes, Family Notices, Dating, Shop, and More. A secondary navigation bar includes links for Ireland, World, In Depth, Today's paper, Archive, Weather, and Banking Crisis. The main content area displays a large image of a child in a hospital bed, with the headline "Two investigations into Mounjtjoy not under way" and a sub-headline "Asgard II report published". To the right, there is a "Latest" section with a list of recent news items, including "Body found in 'Disappeared' search", "Strikers cut fuel pipeline to Paris", "Bernardus hints at easing of monetary policy", "Asgard II report published", "Versatile Murphy to deputise for Tuitugou", "Two held over Dundalk assault", and "Tomato Munder costs council dear".

Typically the banner advertisement would be graphical and user pay on a pay per click or pay per impression basis.

Facebook Advertising

In Face book marketer can run targeted advertising based on a cost per click or cost per impression basis. The big advantage with Face book is that marketer can target in on exactly who want to see the advertisements. For example, if company ran an adventure centre and the typical profile of a customer is a male between 30 and 45 that live in Dublin it could just advertise to them. When they login to Face book they see these advertisements on the right hand part of the screen.

Affiliate Marketing

Affiliate marketing is using the other websites to help drive traffic to our website. The source of the traffic is called the affiliate. The affiliate then gets payment for driving this traffic depending on the result. For example, the affiliate may only get paid if they drive traffic to our website and this ends up in a sale.

There are many forms of affiliate marketing and sometimes these cross over with other forms of advertising. Here are some examples:

- User write a blog post about a hotel where he or she stayed in and the link to the hotel is an affiliate link. So if user go to the hotel and book a room then the source of this traffic will get paid an amount.
- Company send an e-mail newsletter and include an affiliate link in this content.

Website

Website is a key internet marketing tool where company can promote its business and sell products and services. When company does all the forms of online promotion and drive traffic back the website. If this is not a sale then at a minimum company need to capture their details so that it can continue to market to them.

So the design of the website is very important. It should look professional to follow all the appropriate usability guidelines to produce business. A key term on a website is a “call to action”. For example ‘Book Now’ is a call to action to make a booking. If they are not ready to book now maybe to provide another call to action to sign up to a newsletter or become a fan on Facebook. At least then to have another opportunity to market to them.

There are many websites out there that are just brochure websites. They tell how good the company is and all the great services they provide but that is not enough any more. company need to provide some value to people arriving at their website. The in-

formation should help the customer to make a booking at hotel, a table at restaurant, or an activity at adventure centre. If user is making a booking at hotel let them know what other people have said about the hotel, let them know all the facilities nearby and provide them with a video where they really get a feel for what the place is like. Recommendations from other people are extremely important online.

Online PR

PR is a very effective tool for promoting business and there are many ways of achieving this.

The following gives some examples:

- ◆ Irishpressreleases.com – This is a site that the press monitor for any Irish press releases .
- ◆ Guest Blog Post – Instead of writing a blog post (article online) on own website, why not find another popular blog that is related to the business and write a post for them. That is good PR for which also provide a link back to website that helps with rankings on the search engines.
- ◆ Article writing – There are many sites online that allows to write articles and these articles are read and distributed by many people.

Other Forms of Internet Marketing

Internet Marketing contains a lot of different areas and it is continuously changing. The following are some newer forms of internet marketing which are practiced in today's business.

Location Based Check-ins

There are many sites (e.g. Foursquare, Face book places) that are providing the ability for people to check in to any location they are. When they check in they see who else is checked in, what there is to do in an area, and much more.

Mobile Marketing

The mobile device has become increasingly popular over the last few years and with a mobile being with customers 24 /7 and 365 days it is not something to ignore. There are lots of new and innovative ways of using the mobile to promote products and services. For example:

- Mobile Applications – marketer can develop mobile specific applications (e.g. iPhone Applications) that can run on the mobile and can be used to promote service. For example if a hotel in Bangalore wants to promote maybe it will have an application for tourists which shows where to go and what do to.

- Mobile website –Making the websites to work on mobile platform is also very essential.
- Mobile location based services – Increasingly people will use their mobile device to see what’s going on in the area, what activities are running to-day etc. It will be important to be part of this conversation.

14.12 INTRODUCTION TO VIRAL MARKETING

“Viral marketing” is an advertising strategy in which people pass on a marketing message to others. For example, when Hotmail first began to offer free email addresses, the following was included at the bottom of every message: When people received emails from their friends and family that were already using Hotmail, many of them would sign up for their own accounts. Later on, these new Hotmail users would send out their own emails, thereby continuing the cycle.

NEED FOR VIRAL MARKETING

The proliferation of marketing and advertising, coupled with the blitz of millions of media channels in today’s world, has given cause for consumers to tune out and effectively avoid a great deal of traditional supplier driven messaging. The creation of technologies such as PVRs, satellite radio and Internet ad blocking software are driving a fundamental shift in the way the public consumes media and the advertising often tied to it. Television ads, radio spots, online ads and even emails are facing increasing competition for effectively capturing the viewer’s attention and provide positive ROI for the marketer.

This competition, coupled with the rising cost of media buys, has caused marketers to search for an alternative means to reach the customer. Viral marketing is an attractive solution because it utilizes the free endorsement of the individual rather than purchase of mass media to spread the word. Because the distribution model is free, viral can potentially be lower cost and more effective than traditional media.

ADVANTAGES OF VIRAL MARKETING

- ◆ Cuts through the clutter of traditional advertising, allowing marketers to effectively reach the audience.
- ◆ Doesn’t require a product with a popularity in order to raise awareness, generate buzz, and kick-start peer-to-peer spread. Instead, the viral campaign’s communication agent is the element that needs a element of interest.
- ◆ Unlike traditional advertising viral is not an interruptive technique. Instead, viral campaigns work the Internet to deliver exposure via peer-to-peer endorsement. Viral

campaigns, whether ultimately liked or disliked, are often welcomed by the receiver. The focus is on campaigns with material that consumers want to spend time interacting with and spreading proactively.

DISADVANTAGES OF VIRAL MARKETING

Viral marketing, like all marketing is hit or miss. However, viral marketing by nature is often more risky or controversial than traditional marketing. If done improperly viral marketing can backfire and create negative buzz.

4.13 GUERRILLA MARKETING

Guerrilla Marketing is an advertising strategy that focuses on low-cost unconventional marketing tactics that yield maximum results. The original term was coined by Jay Conrad Levinson in 1984 in the book 'Guerrilla Advertising'. The term guerrilla marketing was inspired by guerrilla warfare which is a form of irregular warfare and relates to the small tactic strategies used by armed civilians. Many of these tactics includes ambushes, sabotage, raids and elements of surprise. Much like guerrilla warfare, guerrilla marketing uses the same sort of tactics in the marketing industry.

This alternative advertising style relies heavily on unconventional marketing strategy, high energy and imagination. Guerrilla Marketing is about taking the consumer by surprise, make an indelible impression and create copious amounts of social buzz. Guerrilla marketing is said to make a far more valuable impression with consumers in comparison to more traditional forms of advertising and marketing. This is due to the fact that most guerrilla marketing campaigns aim to strike the consumer at a more personal and memorable level.

Guerrilla marketing is often ideal for small businesses that need to reach a large audience without breaking the bank. It also is used by big companies in grassroots campaigns to compliment on-going mass media campaigns. Individuals have also adopted this marketing style as a way to find a job or more work.

MEANING OF GUERRILLA MARKETING

A marketing tactic in which a company uses surprise and/or unconventional interactions in order to promote a product or service. Guerrilla marketing is different than traditional marketing in that it often relies on personal interaction and has a smaller budget, and it focuses on smaller groups of promoters that are responsible for getting the word out in a particular location rather than on wide-spread media campaigns. An unconventional way of performing marketing activities on a very low budget.

Guerrilla marketing is quite different from traditional marketing efforts. Guerrilla marketing means going after the conventional goals of profits, sales and growth but doing it by using unconventional means, such as expanding offerings during gloomy economic days to inspire customers to increase the size of each purchase.

Instead of asking to invest money, guerrilla marketing suggests to invest time, energy, imagination and knowledge instead. It puts profits, not sales, as the main yardstick. It urges that grow geometrically by enlarging the size of each transaction, having more transactions per year with each customer, and tapping the enormous referral power of current customers. And, it does it through one of the most powerful marketing weapons around—the telephone.

The telephone is a remarkably effective follow-up weapon. Don't use the phone to follow up all business mailings to customers, but research has proved that it will always boost sales and profits. Sure, telephone follow-up is a tough task. But it works.

E-mail ranks up there with the telephone, possibly even out outranking it. It's inexpensive. It's fast. It helps strengthens relationship.

Instead of telling whole story with other marketing, use that other marketing to direct people to companys site. Then, use the site to give a lot of information and advance the sale to consummation. A key to online success is creating a brief and enticing e-mail that directs readers to a website that give enough information for a person to make an intelligent purchase decision.

Guerrilla marketing preaches fervent follow-up, cooperation instead of competition, “you” marketing rather than “me” marketing, dialogues instead of monologues, counting relationships instead of counting sales, and aiming at individuals instead of groups.

All guerrillas realize that the process of marketing is very much akin to the process of agriculture. Their marketing plans are the seeds they plant. Their marketing activities are the nourishment they give to each plant. Their profits are the harvest they reap. They know those profits don't come in a short time. But come they do start with a plan and commit to it.

Guerrillas know they must seek profits from their current customers. They worship at the shrine of customer follow-up. They are world-class experts at getting their customers to expand the size of their purchases. Because the cost of selling to a brand-new customer is six times higher than selling to an existing customer, guerrilla marketers turn their gaze from strangers to friends. This reduces the cost of marketing while reinforcing the customer relationship.

When customers are confronted with their daily blizzard of junk mail and unwanted e-mail, mailing piece won't be scrapped with the others and e-mail won't be instantly deleted. After all, these customers know their company emails and identify and trust those emails. So they'll be delighted to purchase—or at least check out—that new product or service offering. They'll always be inclined to buy from a company they've patronized.

Guerrillas are able to think of additional products and services that can establish new sources of profits to them. They're constantly on the alert for strategic alliances—fusing marketing efforts with others in order to market aggressively while reducing marketing investment.

The internet and bookstore are teeming with a treasure trove of marketing tactics that can help to discover smart guerrilla marketing tactics. But learning about them is only half the battle. So practicing is required to get more out of this strategy.

What Is Guerrilla Marketing?

Business competition is at an all-time high these days. Businesses want consumers to spend their money on their products, so consumers receive a lot of junk mail, spam email and unwanted phone calls. Consumers are so used to these traditional tactics that businesses sometimes have to think of other ways to get their attention.

Guerrilla marketing is the act of executing an unusual or unexpected marketing activity in a common, everyday place in order to generate a buzz for products or services. The main point of guerrilla marketing is to get the business's name in front of as many people as possible in an unexpected way. Guerrilla marketing is usually a low or no-cost form of marketing that can reap substantial profits if implemented correctly.

Guerrilla marketing campaigns demonstrate original ideas in places that are not publicly accepted to be suitable and traditionally appropriate for advertisements, places where ads would appear to be unexpected. For instance, instead of using an escalator, Volkswagen created a “fast lane” slide that gets the traveller to the bottom of the stairs quickly in the central metro station of Brussels. The slide was a reflection of Volkswagen cars' quality and safety. The more customers are fascinated, excited or even entertained by the advertisement, the longer it will remain in their memory. This is dominantly what Guerrilla's strategy aims at - surprise effect. Like in every other form of marketing, it is important to know the customer, thus marketing idea and human nature should work together.

GUERRILLA MARKETING STRATEGIES

1. PRICE DISCOUNT STRATEGY

The challenger can sell a comparable product at lower price. It is apparent in price wars in airlines, tariff wars in telecom industry.

2. CHEAPER GOODS STRATEGY

The idea is to offer an average or low quality product at much lower price. This works when the buyer is interested only in price.

3. PRESTIGE GOODS STRATEGY

The challenger can launch a higher quality product and charge a higher price than the leader.

4. PRODUCT PROLIFERATION STRATEGY

Challenger can attack the leader by launching a larger product variety, thus offering more choice to the buyer.

5. PRODUCT INNOVATION

6. IMPROVED SERVICE STRATEGY

7. DISTRIBUTION INNOVATION STRATEGY

Developing new channels of distribution. Like direct selling to customers.

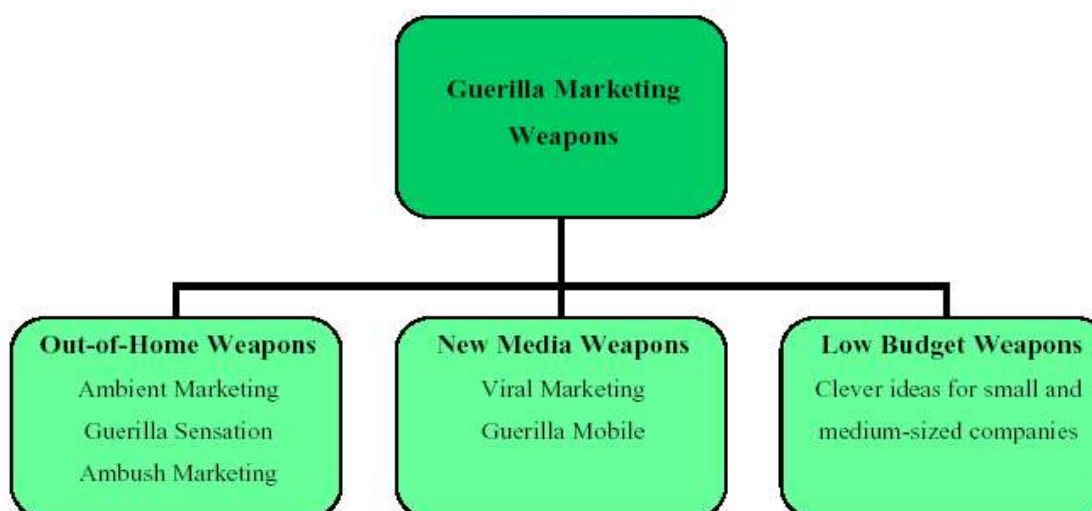
8. MANUFACTURING COST REDUCTION STRATEGY

Employing lower manufacturing cost through more efficient purchasing.

9. INTENSIVE ADVERTISING PROMOTION

The challenger engages in a rigorous advertising program.

ELEMENTS OF GUERRILLA MARKETING/GUERRILLA MARKETING



OUT-OF-HOME WEAPONS

As the name “out-of-home” suggests, these weapons refer to marketing activities that are actually realized at public locations. At best it does not only catch the interest of people who pass by, but media interest as well. Newspaper reports about the action can create extra publicity for the advertised company and stimulates that people talk about the product. The most successful weapons in the category out-of home are Guerilla Sensation, Ambient Media, and Ambush Marketing.

1. AMBIENT MARKETING

The term became well-known in the 1990s. Ambient Media refers to non-traditional out-of home advertising. While other out-of-home Marketers advertise on large-scale billboards, ambient advertisements are posted on manhole covers, cranes, pizza cartons, free postcards in bars and so on. They are all a little more unusual displays.

2. GUERILLA SENSATION

Guerilla Sensation is very similar to Ambient Marketing. Therefore it is easier to show the difference. Ambient Marketing positions advertising at unusual places. Hereby the main focus is not necessarily on the idea, but on the advertising space itself. People are confronted with advertisements where and when they do not expect it. In general Guerilla Sensation works with the same principle, but it is only used on a very limited number of events and activities.

3. AMBUSH MARKETING

It stands for a sneaky out-of-home marketing method, which promotes a brand at huge events without paying a sponsorship fee. At many major events one brand of a particular category pays a high price to be the exclusive sponsor, whom leaves their competitors be left in the dark.

Ambush Marketers then still find a way to make notice of their brand in connection with the event, since it attracts the attention of thousands of visitors and even viewers on TV.

NEW MEDIA WEAPONS

New technologies change our lives and they often make it easier due to mobile phones, internet, unlimited information, and shopping possibilities that enable customers to access the resources of the world with a click on the computer mouse. Of course this also gives businesses the possibility to use the advantages that technology provides. Two very strong instruments that use the modern possibilities are described below: Viral Marketing and Guerilla Mobile.

1. VIRAL MARKETING

On the Internet, viral marketing is any marketing technique that induces Web sites or users to pass on a marketing message to other sites or users, creating a potentially exponential growth in the message's visibility and effect. One example of successful viral marketing is Hotmail, a company, now owned by Microsoft that promotes its service and its own advertisers' messages in every user's e-mail notes.

2. GUERILLA MOBILE

Not only has the PC offered unlimited possibilities to marketers. Since the number of mobile phones exceeds the number of inhabitants in many countries, the cell phone is a permanent companion of prospects. Therefore it was only a matter of time until marketers took the opportunity to reach customers and prospects at any place at any time. The wireless connection provides the possibility to present marketing messages in different ways via SMS, MMS, Bluetooth, or Infrared.

LOW BUDGET WEAPONS

This Weapon refers to Guerilla Marketing for new, small, and medium-sized companies, who only possess a small marketing budget. Like Levinson already pointed out in the 1980's that does not necessarily mean that those companies have a disadvantage compared to financially strong competitors. But since their capital is low, the top priority is to use it as efficiently as possible.

Guerilla Marketing should put this into practice by focusing on the local culture with its geographical, sportive, social network, its rituals, needs, habits, norms, traditions, and values. Clever ideas appear through unconventional methods which are supposed to catch the attention of the target group.

4.14 NEURO MARKETING

Neuro Marketing is founded by Gerry Zaltman in 1999 as a marketing tool. There has been a real explosion of abilities of neuroscientists to directly study brain activities related to frequency, time and the space where these activities take place. Psychologists and psychiatrists were quick to apply the new technology in order to better understand human brain, emotions and insights of individuals.

Soon the marketing experts realised the potential of such technologies and, associated with neuroscientists, created "neuromarketing". Neuromarketing can be defined as a marketing branch using neuroscientific methods and techniques for analysing and understanding human behaviour with regard to market and important marketing issues.

The fact that the marketing balances between the products/services the marketing experts want to sell and the consumers' desires and needs, it is of paramount importance for marketing experts to know and understand consumers. In the "traditional" marketing these attempts would use the form of interviews, focus groups, research, observations... Even though these methods are very useful and usable, they have a pronounced shortcoming: they are not enough precise and accurate. The most frequent reason for their insufficient accuracy lies in respondents and their inaccurate/untrue responses.

The reason of their insufficient accuracy was discovered by neuroscientists who found out that "what people say is often contradictory to the activities of the human brain". To put it more straightforwardly, what we say and what our brain says are two different things. Ariely and Berns assume that the brain scanning techniques can provide indications regarding the basic preferences of an individual, which are more accurate than the data gathered by standard market research as these data are subject to prejudice due to a subjective approach to values. If this is true, the concepts and prototypes of the products could be quickly tested and the products which are not "promising" could be eliminated. This would result in a more efficient allocation of resources that could be used only for "promising" products.

TECHNIQUES AND METHODS OF NEURO MARKETING

There are a number of techniques and methods that neuromarketing uses for detecting hidden information. Lewis (2004) affirms two most important techniques of analysing human brain activities that are used in neuromarketing - fMRI and EEG:

fMRI - Functional magnetic resonance imaging is the most frequent technique of scanning human brain in neuromarketing. The functional magnetic resonance is a technique using powerful magnetic and radio waves to create high-quality brain images.

Ariely and Berns (2010) state that this technique uses MRI scanner to measure the level of oxygen in blood in certain brain areas. Changes in the oxygen level correlate with brain activity. The more active is a brain area, the more oxygen it requires, and this is recorded in minute detail by the scanner. The result is most frequently a fragmented brain area shown in colours. But Lewis says that, regardless the undoubtedly "seducing" colourful brain images produced by the scanner and displayed in high resolution by the computer, we must not be tempted to interpret them without thorough understanding of the analytic methods through which these images are generated.

According to Ariely and Berns, the second most frequently used method is EEG - electroencephalography. The method uses electrodes placed on the skull to assess the electrical activity of the neurons. Owing to a very high temporal resolution (millisecond),

EEG can detect a very short neuronal “spike”. As Lewis points out, EEG technique is the most practical among the currently developed method of brain scanning; it is the most cost-effective and the most suitable, due to the simplicity of use and compactness of the apparatus which is able to make a quantitative assessment of brain activities through the high level of sensitivity and temporal resolution.

4.15 INTRODUCTION TO CUSTOMER RELATIONSHIP MARKETING (CRM)

Customer Relationship Marketing is the fourth significant post-war wave. While marketers have long viewed brands as assets, the real asset is brand loyalty. A brand is not an asset. Brand loyalty is the asset. Without the loyalty of its customers, a brand is merely a trademark, an own able, identifiable symbol with little value. With the loyalty of its customers, a brand is more than a trademark. A trademark identifies a product, a service, a corporation. A brand identifies a promise. A strong brand is a trustworthy, relevant, distinctive promise. It is more than a trademark. It is a trust mark of enormous value. Creating and increasing brand loyalty results in a corresponding increase in the value of the trust mark.

The new emphasis on building brand loyalty is encouraged by the fact that it costs four-to-six times more to convert a customer than it does to retain one. One study, conducted by Jagdish N. Sheth, specifically concluded that it “costs five times as much to replace a typical customer as it does to take actions that would have kept the customer in the first place.”

Customer Relationship Marketing recognizes that it is not enough to attract buyers. The

THE LOYALTY LADDER



CRM goal is to convert buyers into loyalists and loyalists into enthusiasts/evangelists.

For brands whose bad reputations result not in loyalty but in rejection or worse, the challenge is to neutralize brand terrorists, a disloyal group defined by Heskett, et al, in “Putting the Service-Profit Chain to Work” as “customers so unhappy that they speak out against a poorly delivered service (or product) at every opportunity.” Brand terrorists so relish their mission that their fervour often outlives the source of their enmity.

This loyalty ladder is the heart of CRM. Customer Relationship Marketers focus their resources on moving their customers up the loyalty ladder. This new view of marketing is not merely a better way to practice marketing; it will require fundamental changes in marketing practice.

THE FOUR PILLARS OF CRM

These are the Four Pillars of Customer Relationship Marketing: Knowing how to identify, attract, defend and strengthen brand loyalty is the new marketing imperative. According to William Moran, “Loyalty is the key ingredient of brand equity and to the brand’s future marketing profitability.” He also points out that, “core customers are key target.” Furthermore, while advertising can change non-user attitudes, “The most important task of advertising is to affirm and reinforce its core customers’ existing convictions about the brand. Non-users will be tempted more by price incentives than by advertising. Then, the brand experience itself will be the most effective attitude-changer for them. After that, it is advertising’s job to articulate for them the reasons why they find the brand attractive.” Finally, he concludes that, “The job of advertising is to build and harden the core.” The heart of CRM is customer loyalty, then its brain is VOAC (value of a customer).

Campbell has segmented customers into four groups most profitable, profitable, and borderline and avoid. Thus, the company learned that only 4 percent of brand users fell into the most profitable group, which in turn accounted for only 15 percent of sales volume. No matter, for Campbell’s also learned its most profitable group delivered three times the profit of the breakeven borderline group. The second-most profitable group accounted for another 6 percent of the user total and only 9 percent of the volume.

Customer Relationship Marketing has many implications for market planning, employee training, advertising, promotion, public relations, direct marketing, package design, and so on. Customer Relationship Marketing requires us to refocus our attention on the economic value of brands. CRM demands that we consider the price of brand exploitation versus the benefits of brand building. The Customer Relationship Marketer’s goal is to win and keep brand loyal customers. Building enduring, profitable, growing brands is all about creating, nurturing, defending and strengthening loyal brand relationships. Conquest, acquisition, and trial are important for growth. But, when studies show that it costs four to six times as much to get a new customer as it does to keep a customer loyal, we must focus on the new marketing imperative.

The goal is not merely to attract customers. It is to attract and retain customer loyalty. The loyal customer is the most profitable customer, yet the focus is still often

only on attracting new customers. Focusing on customer acquisition without paying sufficient attention to strengthening customer loyalty is one way to grow sales, but it is not the way to grow sales profitably. The Brand Loyalty Marketer knows that the real goal must be to increase sales volume and brand value at the same time.

CRM PROCESS

Several scholars studying buyer-seller relationships have proposed relationship development process models . Building on that work we develop a four-stage CRM process framework comprised of the following four sub-processes: a customer relationship formation process; a relationship management and governance process; a relational performance evaluation process, and a CRM evolution or enhancement process. Figure 1 depicts the important components of the process model.

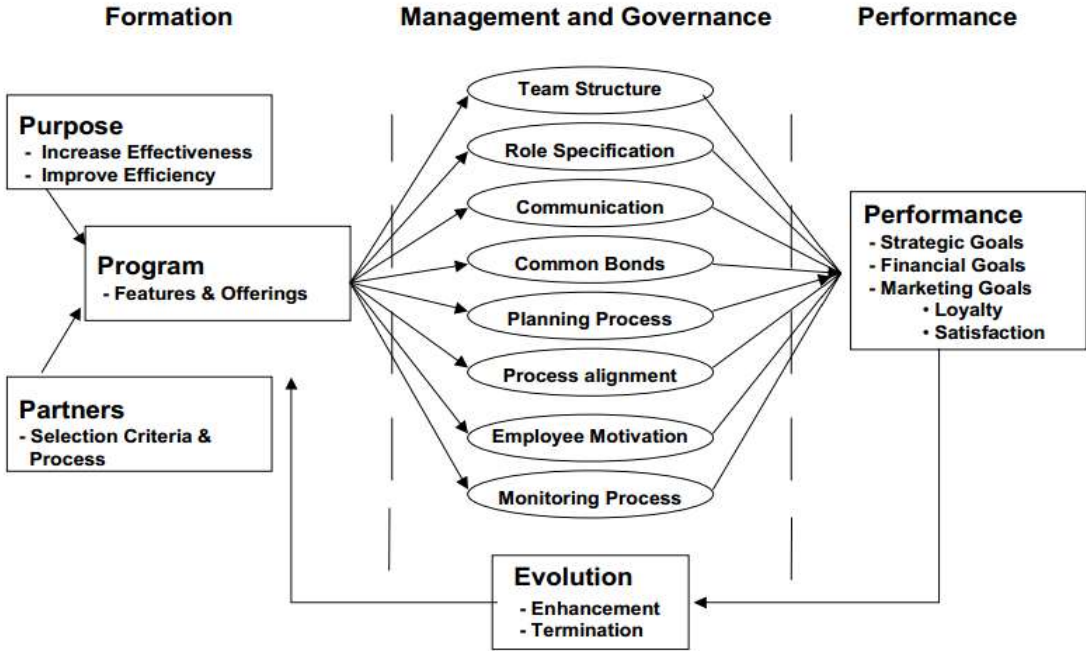


Figure 1, CRM process

The CRM Formation Process

The formation process of CRM refers to the decisions regarding initiation of relational activities for a firm with respect to a specific group of customers or to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship. Hence, it is important that a company be able to identify and differentiate individual customers. In the formation process, there are three important decision areas: defining the purpose (or objectives) of engaging in CRM; selecting parties (or customer partners) for appropriate CRM programs; and developing programs (or relational activity schemes) for relationship engagement with the customer.

The Purpose of CRM and Its Operational Goals. The overall purpose of CRM is to improve marketing productivity and to enhance mutual value for the parties involved in the relationship. Improving marketing productivity and creating mutual values can be achieved by increasing marketing efficiencies and/or enhancing marketing effectiveness. By seeking and achieving such operational goals as lower distribution costs, streamlining order processing and inventory management, reducing the burden of excessive customer acquisition costs, and by considering the economics of customer retention, firms can achieve greater marketing efficiencies. They can also enhance marketing effectiveness by carefully selecting customers for their various programs, by individualizing and personalizing their market offerings to anticipate and serve the emerging needs of individual customers, by building customer loyalty and commitment; by partnering to enter new markets and develop new products, and by redefining the competitive playing field for their company. Thus, stating the objectives and defining the purpose of CRM in a company helps clarify the nature of the CRM programs and activities that ought to be performed by the partners.

The purpose of CRM is to identify the relationship partners with the necessary expectations and capabilities to fulfill mutual goals an easier task. Furthermore, it helps in the evaluation of the CRM performance. The results achieved can be compared to the objectives. These objectives can be specified as financial goals, marketing goals, strategic goals, operational goals, and organizational goals.

Similarly, in the mass-market context, consumers expect to fulfill their goals related to efficiencies and effectiveness in their purchase and consumption behavior. Sheth and Parvatiyar contend that consumers are motivated to engage in relational behavior because of the psychological and sociological benefits associated with reduction in choice decisions. In addition, to their natural inclination to reduce choices, consumers are motivated to seek the rewards and associated benefits offered by CRM programs.

Customer partner selection (or parties with whom to engage in cooperative or collaborative relationships) is another important decision in the relationship formation stage. Even though a company may serve all customer types, few have the necessary resources and commitment to establish CRM programs for all. Therefore, in the initial phase, companies have to decide on which customer types and specific customers or customer groups to focus their CRM efforts on. Subsequently, when a company gains experience and achieves successful results, the scope of CRM activities can be expanded to include other customers in the program or to include additional programs.

Although partner selection is an important decision in achieving CRM goals, not all companies have a formalized process of selecting customer partners. Some select customer partners by following the intuitive judgments of their senior managers and select other partners from those customers who demand to be selected. On the other hand, other companies do have formalized processes of selecting relational partners through the use of extensive research and the evaluation of chosen criteria. The criteria for partner selection vary according to company goals and policies. They can range from a single criterion such as the revenue potential of the customer to multiple criteria that include variables such as customer commitment, resourcefulness, management values, technological and market leadership, national and global presence, strategic value, and complementary business processes. When several criteria are applied and a complex model developed, it is necessary to test its validity based on strategic fit and the distinctive competitive advantage to the firm.

4.16 SUMMARY

Today market has become more competitive and competitive due to adoption of technology and innovation techniques. Most of the companies facing tuff competition. Those who are able to strategic advantage such companies are able to withstand in the market. Marketing has made tremendous changes in field because of marketing trends like online marketing, direct marketing, digitalization, social media etc; this has made marketing towards upper trend.

4.17 SELF ASSESSMENT QUESTIONS

1. What is Marketing Myopia ?
2. Explain the Emerging Trends in Marketing.
3. Discuss the Ethical and Legal Aspects of Marketing.
4. Write a note on Green Marketing.
5. Describe the importance of CRM.

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UNIT - 5 : MARKETING PLANNING

Structure:

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Meaning and Definitions of Strategic Marketing Planning
- 5.3 Characteristics of Marketing Planning
- 5.4 Importance of marketing Planning
- 5.5 Marketing planning process
- 5.6 Concept of Marketing environment
- 5.7 Environmental Factors affecting marketing firm
- 5.8 Summary
- 5.9 Self Assessment Questions
- 5.10 References

5.0 OBJECTIVES

After studying this unit, you should be able to;

- Define the meaning of marketing planning
- Explain the concept of strategic marketing
- Describe the process of marketing planning
- Highlight the factors of environment

5.1 INTRODUCTION

Marketing planning is a part of total business planning of the company. Marketing planning has a vital role in formulating overall objectives and goals. With the help of marketing planning a company can design suitable policies, programmes and strategies for the effective achievement of pre-determined objectives and goals. Use of planning in marketing can be of immense help to management. Marketing planning is a managerial task of determining the future course of marketing operations and activities by analyzing the past and projecting the future goals and objectives. Marketing plans broadly may be divided into two main categories: time horizon-based marketing plans and organization structure-based marketing plans. Marketing plan is a comprehensive blueprint which outlines an organization's overall marketing efforts. A marketing process can be realized by the marketing mix, which is outlined in step 4. The last step in the process is the marketing controlling.

The marketing plan can function from two points: strategy and tactics (P. Kotler, K.L. Keller). In most organizations, "strategic planning" is an annual process, typically covering just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead. Marketing Planning involves setting objectives and targets, and communicating these targets to people responsible to achieve them. It also involves careful examination of all strategic issues, including the business environment, the market itself, the corporate mission statement, competitors, and organisational capabilities.

5.2 MEANING AND DEFINITIONS OF STRATEGIC MARKETING PLANNING

Marketing Planning is the process of developing marketing plan incorporating overall marketing objectives, strategies, and programs of actions designed to achieve these objectives."

According to Newman, "Planning is deciding in advance what is to be done; that is a plan is a projected course of action.

Haiman has described it as “Planning is deciding in advance what to be done.”

In the words of Terry, “Planning is the selection and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

The American Marketing Association has described marketing planning as, “The work of setting up objectives for marketing activities and of determining and scheduling the steps necessary to achieve such objectives.

5.3 CHARACTERISTICS OF MARKETING PLANNING

The main following characteristics of marketing planning are:

- ◆ Marketing planning is a managerial function.
- ◆ Planning is in essence the exercise of foresight.
- ◆ It involves an analysis of past events and projection of future events.
- ◆ Marketing planning is determination of the future course of marketing operations and activities.
- ◆ Marketing planning is a goal-directed activity.
- ◆ Marketing planning has a specific dimension of time.
- ◆ Marketing planning is a continuous process.
- ◆ Marketing planning is optimum use of company Resources to achieve better results.
- ◆ Marketing planning is to facilitate executive actions.
- ◆ A marketing plan contains various elements. These elements are objectives, goals and targets; policies; programmes; strategies; methods; rules; procedure and budget.

5.4 IMPORTANCE OF MARKETING PLANNING

A marketing company can obtain enormous benefits by planning its marketing operations. In view of the increasing competition and decreasing profit margins the role of marketing planning is becoming indispensable. The importance of marketing planning may be discussed under the following headings:

1. Customer-Oriented Marketing

In the situation of buyers’ markets a marketing company has to keep ‘customers’ in the focal point of entire marketing operations. Whether it is product, price of product, physical distribution of promotional activities, are designed with the help of planning to provide maximum customer satisfaction. Thus, marketing planning is an effective tool to implement customer-oriented marketing.

2. Identification of Opportunities and Problems

In the process of planning efforts are made to identify the existing market opportunities and problems. This exercise may help to formulate and evolve best possible solutions for taking full advantage of opportunities and an effective way to deal with problems.

3. Way to Goal-directed Activities

The purpose of marketing planning is to formulate goals, objectives and targets with regard to sales, market share, profit margin etc. With the setting of goals and objectives, entire activities and operations of a marketing company become goal-oriented. It minimises the wastage of efforts and duplication of efforts.

4. Full Exposure to Management and Employees

Goals and targets fixed in the planning process provide full exposure to management and employees. Though the targets are set keeping in view the average performance level, they are made challenging. Thus, everybody has to make some extra efforts to fulfil the goals and targets. This exposure is also helpful in the further development of management and employees.

5. Increases Productivity and Profitability

Marketing planning integrates the resources of a firm and its marketing opportunities. The purpose of planning is to make maximum use of each resource of the company, in order to capture maximum market coverage. Optimum use of various resources leads to higher profitability through marketing operations.

6. Boosts Internal Communication

Preparation of a marketing plan is a joint activity. Every department of the company communicates desired and relevant information for the purpose of the preparation of plans. In the inter-departmental meetings the different departments marketing company,

7. Facilitates Co-ordination

Marketing planning facilitates co-ordination in a company both horizontally and vertically. Persons located at different organisational levels in the marketing company know very well through the market plan as to what the others will be doing during the coming plan period, and what is desired of him. This facilitates greater coordination in the company's activities.

8. Designing of Suitable Policies and Strategies

In the process of marketing planning, basic guidelines are provided in the form of policies for the performance of marketing activities. Marketing plan also designs suit-

able strategies in the form of action plans to achieve goals and targets in an effective manner.

9. Cost Reduction

Due to integrated functioning, optimum use of the resources of the company is made possible by marketing planning and the cost of marketing operations can be considerably reduced. Concentrating on achieving the best at minimum cost, the marketing planning tends to bring economy in operation.

10. Provides Long-term Vision to the Company

In the marketing planning master plans are prepared keeping in view the longtime marketing objectives and goals. In this exercise a company takes into consideration the prospective marketing scenario in the coming ten to twenty years. It evaluates marketing prospects and challenges with the help of long vision. A company can design suitable policies and strategies in advance to deal with new situations.

11. Essential Prerequisite of Control

A marketing plan sets standards of performance against which the management measures and evaluates organizational performance. Thus, marketing planning is an essential prerequisite of control.

5.5 MARKETING PLANNING PROCESS

Marketing planning process is a series of stages that are usually followed in a sequence. Organisations can adapt their marketing plan to suit the circumstances and their requirements. Marketing planning process involves both the development of objectives and specifications for how to achieve the objectives. Following are the steps involved in a marketing plan.

1. Mission

Mission is the reason for which an organisation exists. Mission statement is a straightforward statement that shows why an organisation is in business, provides basic guidelines for further planning, and establishes broad parameters for the future. Many of the useful mission statements motivate staff and customers.

2. Corporate Objectives

Objectives are the set of goals to be achieved within a specified period of time. Corporate objectives are most important goals the organisation as a whole wishes to achieve within a specified period of time, say one or five years.

All the departments of an organisation including marketing department works in

harmony to achieve the corporate objectives of the organisation. Marketing department must appreciate the corporate objectives and ensure its actions and decisions support the overall objectives of the organisation.

Mission statement and corporate objectives are determined by the top level management (including Board of Directors) of the organisation. The rest of the steps of marketing planning process are performed by marketing department. All the actions and decisions of the marketing department must be directed to achieve organisation mission and its corporate objectives.

3. Marketing Audit

Marketing audit helps in analysing and evaluating the marketing strategies, activities, problems, goals, and results. Marketing audit is done to check all the aspects of business directly related to marketing department. It is done not only at the beginning of the marketing planning process but, also at a series of points during the implementation of plan. The marketing audit clarifies opportunities and threats, so that required alterations can be done to the plan if necessary.

4. SWOT Analysis

The information gathered through the marketing audit process is used in development of SWOT Analysis. It is a look at organisation's marketing efforts, and its strengths, weaknesses, opportunities, and threats related to marketing functions.

- ◆ **Strengths and Weaknesses** are factors inside the organisation that can be controlled by the organisation. USP of a product can be the example of strength, whereas lack of innovation can be the example of weakness.
- ◆ **Opportunities and Threats** are factors outside the organisation which are beyond the direct control of an organisation. Festive season can be an example of opportunity to make maximum sales, whereas increasing FDI in a nation can be the example of threat to domestic players of that nation.

5. Marketing Assumptions

A good marketing plan is based on deep customer understanding and knowledge, but it is not possible to know everything about the customer, so lot of different things are assumed about customer.

For **example** :

Target Buyer Assumptions - assumptions about who the target buyers are.

Messaging/Offering Assumptions - assumptions about what customers think are the most important features of product to be offered.

6. Marketing Objectives and Strategies

After identification of opportunities and challenges, the next step is to develop marketing objectives that indicate the end state to achieve. Marketing objective reflects what an organisation can accomplish through marketing in the coming years.

Objective identifies the end point to achieve. Marketing strategies are formed to achieve the marketing objectives. Marketing strategies are formed to determine how to achieve those end points. Strategies are broad statements of activities to be performed to achieve those end points.

7. Forecast the Expected Results

Marketing managers have to forecast the expected results. They have to project the future numbers, characteristics, and trends in the target market. Without proper forecasting, the marketing plan could have unrealistic goals or fall short on what is promised to deliver.

- ◆ **Forecasting Customer Response** - Marketing managers have to forecast the response that the average customers will have to marketing efforts. Without some idea how the marketing will be received, managers can't accurately plan the promotions.
- ◆ **Forecasting Marketing cost** - To make the marketing plan stronger, accurate forecast of marketing cost is required to be done.
- ◆ **Forecasting the Market** - To accurately forecast the market, marketing managers have to gain an intimate understanding of customers, their buying behaviour, and tendencies.
- ◆ **Forecasting the Competition** - Forecast of competition like - what they market, how they market, what incentives they use in their marketing can help to counter what they are doing.

8. Create Alternative Plan

An alternate marketing plan is created and kept ready to be implemented at the place of primary marketing plan if the whole or some part of the primary marketing plan is dropped.

9. Marketing Budget

The marketing budget is the process of documenting the expected costs of the proposed marketing plan. One common method to allocate marketing budgeting is based on a percentage of revenue. Other methods are - comparative, all you can afford, and task method.

10. Implementation and Evaluation

At this stage the marketing team is ready to actually start putting their plans into action. This may involve spending money on advertising, launching new products, interacting with potential new customers, opening new retail outlets etc.

The marketing planning process is required to be evaluated and updated regular. Regular evaluation of marketing efforts helps in achieving marketing goals.

5.6 CONCEPT OF MARKETING ENVIRONMENT

Marketing environment refers to those factors and forces which influence a company. Marketing companies operate in number of countries and every country has its own marketing environment. Therefore, marketing companies have to understand and manage these differences through country specific strategies for the success. Many companies fail to see change as opportunity. They ignore or resist changes until it is too late. Their strategies, structures, systems and organizational culture grow increasingly obsolete and dysfunctional Corporations as mighty as General Motors, IBM and Sears have passed through difficult times because they ignored macro environmental changes.

Above statement is an eye-opener for the top management of the marketing Companies. It is in the interest of marketing companies themselves to scan the changes taking place in macro environmental scenario and adjust their operations and strategies accordingly. Otherwise, they should be prepared to pay heavy cost. Paramount objective of each marketing firm is to provide maximum customer satisfaction in the present era of globalization. Marketing company may provide maximum customer satisfaction when it is fully aware about the changing marketing environment. In this direction, marketing environment scanning may be a useful tool.

Marketing environment scanning is a continuing process of gathering information regarding company's internal and external environment, analyzing it, forecasting its trend and impact on the operations and performance of the company. On the basis of environment scanning, company may design appropriate strategies to cope itself effectively with changes taking place in the marketing scenario. With the help of effective environment scanning marketing company may take full advantages of prevailing opportunities and minimize negative impact of prospective threats. Therefore, in the fast changing marketing scenario environment scanning assumes vital significance.

5.7 ENVIRONMENTAL FACTORS AFFECTING MARKETING FIRM

Broadly marketing environment may be divided into two categories—internal and external. Internal marketing environment is manageable by the management of the

company, whereas, every company has to adjust itself with external environment. Marketing environment may be explained through the following factors:

I. External Marketing Environment

Factors included into external environment may be described as universal factors, These factors are generally uncontrollable by a specific marketing company, but they are not totally uncontrollable. Each and every factor of external environment does not affect every marketing company equally. Some factors may be having greater impact and some may be having marginal impact. In the international marketing, company has to take into stock of country specific marketing environment in particular and global environment in general, to design effective policies and strategies. Marketing company must try hard to influence its external environment where it is possible. For example, a marketing company may improve its competitive position by appropriate strategic alliances and joint ventures. Detail description of various factors of external environment is as under.

(A) External Macro Environment

External Macro environment affects each and every firm equally. External Macro environment consists following factors:

1. Demography

Demography can be defined as the long term statistical study of different distributional characteristics of human population regarding specific country or geographical zone. Demography has a special interest for marketing companies because people constitute markets. Study of demography includes obtaining data regarding urban-rural distribution, growth rate of population, age group-wise distribution, rate of mortality in different age groups and sex-wise distribution of population. Marketing opportunities are closely related with the size of market. World Development Report, 1996 indicates that there were 58 countries having population less than one million. Poor countries with small population cannot be attractive destination for marketing companies. China and India are destination for international companies due to vast size of their population. Even Indian rural market is three times greater than total United States' population.

Countries having negative birth rate cannot be attractive for Johnson & Johnson, which is the global leader in the area of baby care. Due to declining marketing prospects, on the other hand, it may be boon to specific industries such as travel agencies, Hotel industry, restaurants etc.

Major marketing companies in the area of insurance such as L.I.C., A.I.G., Aviva, I.N.G., Prudential etc. may be deeply concerned with the study of age group-wise distribution of population and mortality rate for the purpose of calculation of premium.

High growth rate of population was major cause of worry for number of developing countries. But it may be strong foundation for win-win game. Zero birth rate or negative birth rate is causing serious problems for developed nations in the area of labor supply in different industries. Therefore, Indian software engineers, management graduates and doctors are in great demand in developed countries. High English speaking population is also great asset for India.

Heterogeneous and short supply of population in relation to caste, ethnicity, language and religion is creating enormous challenges for personnel managers for smooth management of work force.

About one-third population of Japan is above sixty. In this case marketing opportunities for good automobile, high priced cloths may be reducing. On the other hand it has been a boon to investment companies; companies providing personal safety and electronic safety system; Hospitals and Nursing homes; Yoga and mediation companies. Therefore, it is clear that the study and interpretation of different distributional characteristics of population marketing companies can draw useful conclusion to redesign their marketing strategies

2. Economic Factors

Economic factors play vital role in marketing. People alone do not constitute the market. They must have money to spend and willingness to spend it. India's "middle income group" which is estimated around 35 crores is attracting attention of all major global companies to sell their diversified products and services to cater their varied needs. The size of this segment is greater than total united state's population. This segment has money to spend and willingness to spend on variety of products and services. This is boon to marketing companies.

Stage of business cycle is crucial for important decisions in marketing. Business cycle may be divided into four stages: prosperity, recession, depression and recovery. Prosperity is a period of growth. During this stage companies tend to expand their marketing operations by entering into new markets or induction of new products in the product lines. Recession is a period of poor demand. Companies defer their investment decisions in the recession stage. Recovery is the period when the economy is moving from recession to prosperity.

Inflation is also important factor in economic conditions. Inflation is a rise in the prices of goods and services. When prices rise at a faster rate in comparison of personal income, consumer buying power declines. Inflation presents some real challenges to marketing companies in the area of cost control and pricing decisions. Due to inflation

consumer spends less as their buying power declines. On the other hand inflation may increase speed of buying due to fear in the mind of customers that prices will be higher tomorrow.

Marketing companies design their marketing strategies keeping in view nature of the economy, gross national product and its distribution, growth rate of G.D.P., per capita income, burden of foreign debt, credit rating, balance of payment position, money supply and rate of interest.

Economic growth rate of United States is around 2.5 per cent per annum, whereas, economic growth rate of China and India is in between 7 to 10 per cent per annum. It is making them attractive investment destination for marketing companies.

Interest rates are another macro external economic factor that influences marketing programmes of the companies. High interest rates motivate consumers to defer their buying decisions in long term purchase such as automobile and housing. In this situation marketing companies offer their products below market rate of interest as a promotional device to increase sale of their products. Global interest rates are coming down.

Declining (fend of interest rates is forcing insurance companies operating into life segment to close down their high yield products. In India, Life Insurance Corporation of India, which is the major player in the field, has closed down its number of high yield products recently with very limited notice.

Declining trend of rates of interest is also casting its negative shadow on rate of savings. Consumers tend to spend the money to enhance their living of standard when rate of interest is around the rate of inflation or less than that. This situation, which is transformation of saving prone to culture of spending money suits to marketing companies.

3. Political Factors

Decisions of marketing companies are also affected by political factors. Role of government in the economy is an important factor in this regard. In some countries specific industries or sectors are fully state controlled; in those sectors no marketing opportunities prevails. Role of government may be as participator. Government participation may be in the form of joint ventures, where a foreign company is allowed to set-up units on the agreed terms. In India, “Maruti-Suziiki” was the best example in this regard. The government may function as a regulator. In this situation the government imposes regulations and under imposed regulations private companies’ arc allowed to perform their activities. Only in the case of violation the government comes into the

picture to take necessary action. The role of government will be minimum in the case of laissez faire economy.

Political ideologies also affect marketing companies in business. Major political ideologies are capitalism, socialism and democracy. China is getting much more direct foreign investment due to its political system. U.S. companies feel comfortable with dealing the government of China in comparison to the government of India,

Political closeness also plays its role in the business. For near about four decades India has been important trade partner of U.S.S.R., due to political closeness. Due to changed global scenario and India's growing closeness to U.S.A., is casting its shadow on our relations with "Russia", both politically and economically. In contrast trade between India and Pakistan has been very limited, in spite of geographical closeness, due to political bitterness between the two countries.

Marketing companies are deeply concerned with a country's political stability. Political instability may be major cause of political risk. The agreements between a country's government and a marketing company can be turned down in the case of change of power. Italy, is the only exception in this regard. In the last seventy years the people of Italy have seen a new government in power almost after the expiry of one or one and half year. Political instability can be evaluated on the basis of certain indicators. These indicators are frequency of changes in regime, discontinuities in government policies, incidences of violence, demonstrations, disruptions, various cultural divisions and religious disharmony. For example, Sri Lanka has had a great deal of violence between Sinhalese majority and Tamil minority.

It seems now our political leadership has taken lesson from developed countries. Now the government is taking full care of business interests of our marketing companies during the visits of top political leaders in foreign countries. Unfortunately, we could not convert our political relations with number of African countries into economic relations. China is far ahead from us in this regard. Now with the governmental support, Indian companies are focusing their operations in African and Latin American countries. Trade and industry is now in high agenda in political visits. This is very good beginning and its pace should be increased.

Therefore, the political environment is an important factor, not only in the initial decision to invest in a specific country but also in the continuing marketing operations there.

4. Legal Factors

The governments in the world promulgate various legislations to safeguard the interest of their nation, trade, industry and people. Marketing companies must be having sound knowledge of main provisions of important trade laws where they are operating or having intention to operate in the future. This knowledge will enable executives of marketing companies to evaluate positive and negative impact on their marketing operations in concerned countries.

China is getting maximum direct foreign investment due to two types of labour laws promulgated by the government. For the specific geographical zones where multinational companies are allowed, have special labor laws based on “hire and fire”. For the rest of the China, it is having traditional labor laws. China can do it due to their political system but Indian government cannot afford this luxury, due to democracy.

In the international business, marketing companies should know the legal environment in each of its market, means country because these laws constitute the “rules of the game”.

However, the legal environment of international marketing is more complicated than domestic marketing due to three dimensions. International marketing companies have to strike a judicious balance among the rules set by World Trade Organization, the legislations of their own country and the legislations in the countries, where they are operating. For example, in number of gulf countries the governments have passed strict legislations regarding exposure of women in advertising. Marketing companies have to take these provisions carefully while preparing advertising copy to promote their products and services.

Norway bans several forms of sales promotion schemes, such as trading stamps, contests, premiums etc., are unfair instruments for promoting products. In India, food companies need special approval of the government to launch their brands. Therefore, marketing companies must be having sound working knowledge of legislations regarding their markets.

5. Technology

Technology has tremendous impact on marketing companies. Technology significantly influences consumption patterns, life styles, company’s product-mix and well being of human civilization. Technological development such as computers, aero planes, television, antibiotics, nylon, automobiles, telephones etc. have made vital impact on our lives.

Every new technology is a force for “creative destruction”. Therefore, technological development can affect market in several ways. Firstly, it can start entirely new industries, as computers, robots, video games and lasers have done. Secondly, it may radically alter or virtually destroy existing industries, such as television crippled movie industry and cable T. V. to V.C.R. thirdly, it may stimulate markets and industries related to the new technology.

Marketing companies should keep close eye on technological developments taking place in their industries. “Dual-use” and “Nano Technology” is the new areas where global companies are keeping their eyes. These two technologies will transform the marketing operations lot ally. Consumers will be immensely benefited by these two technologies in tile near future. Technologically superior products and services increases operational efficiency of products and services reduces cost and enhance customer satisfaction. After careful evaluation a firm should quickly adopt new technology, otherwise it may be out of the fray.

Technology is having mixed blessing on our lives. A new technology may improve our living standard and may provide greater comforts, but on the other hand it may create number of social, health and environmental problems. For example, frozen foods may provide enormous convenience to customers, but more use of frozen foods may create number of health problems. The automobiles make our life very comfortable, but it also creates problems of traffic jams and air pollution.

Marketing companies should be proactive in developing new technologies for the future to maintain its superiority over its competitors.

6. Competition

Competition has become fierce in marketing. Firm has to face three-tier competition. Firstly, from the other companies of home country. Secondly, from the companies where the firm is exporting. Finally, from the companies of different countries dealing in the same product or service.

Marketing companies have to constantly monitor entire garnet of competitors’ marketing operations, such as their products’, pricing, distribution system and promotional methods, for the formulation of effective competitive strategies.

Marketing firms have to face another two types of competition. Firstly, brand competition from the other marketing companies dealing in the same product category. Secondly, competition from substitute products. Substitute products are those products which can be effectively used in place of original product. For example, tea is effective substitute of coffee.

Competitive environment has major influence on the marketing operations of a firm. In the present era of globalization, the destiny of marketing companies is greatly affected by global competition. Fierce competition may be faced effectively by making alliances with suitable partners, even with past competitive enemy. Mergers and takeovers may be another way for gaining strength for effective competition

7. Social forces

Marketing companies have to take close look of happenings in the social life of their market to hammer out effective marketing strategies. Social norms and values are dynamic. After the expiry of ten or twenty years there will be some shift in social values and every society has their own norms

8. Cultural Factors

Cultural factors have their wider implications in marketing, due to varied culture from one country to another country, even within the country itself. For example with the formation of “IPL”, the cricket has been commercialized. But it seems that they have ignored cultural difference between “wests” and our country. The growing controversy about use of “Cheer Leaders”, during the game is best example in this regard. Culture may be termed as the integrated sum of total behavioral traits that are manifest and shared by members of the society. Cultural heritage is handed over from one generation to another generation,

Culture includes number of areas. Important areas are language, religion, education, aesthetics, material culture, social organizations and political life. Marketers have to study above areas of culture in their target markets to design effective marketing-mix.

(i) Language has its important role in marketing. For example, the English Language has a rich vocabulary for commercial and industrial activities. Therefore, English language has become important in marketing. Numbers of Indian companies are becoming global and availability of vast segment of English speaking people has helped them, up to great extent. Now the China is working very hard in this direction to garner good international markets. Learning a language well means learning the culture, because the words of language are merely concepts reflecting the culture from it was formed. Marketers must be having sound knowledge of language of their target markets for effective communication with them.

(ii) Material culture also has strong linkage with marketing opportunities. Philosophies of different cultures with regard to material aspect become very important in marketing. Material culture is directly related to the way a society organizes its economic activities.

Western and eastern cultures are poles apart in this regard. Western culture is materialistic where standard of living is related with consumption of things. Whereas Hindu and Buddhist philosophies believe in “Nirvana” or “Witlessness”. Mahatma Gandhi considered industrialization a negation of human values. Nations affected by materialistic culture sooner became industrialized countries, then in atomic age and space age. Therefore, those nations affected by materialistic culture are beside suited for marketing companies. It is different thing that due to maturity and saturation in number of products and service industries, now multinational companies are targeting developing countries which are having vast population and good resources.

Entire marketing-mix in marketing is influenced by the material culture, be it product or pricing or distribution or promotion.

(iii) Education is also an important part of culture. Important function of education is the transmission of the existing culture and traditions to the new generation. Marketing companies have a role in cultural change; this role demands them to become educators. The innovative products and techniques the marketing companies bring are generally new to the market. For good marketing prospects, the firm must educate society and consumers regarding their benefits and uses. The firm’s ability to communicate will be having positive co-relation with education level in target markets.

(iv) Religion is the core element in the culture. Companies are primarily interested in knowing how people behave as consumers. It is the religion, beliefs and attitudes of a culture that provide the best insight into the Behaviour of customers.

There are number of religions and religious groups in the world. The important religions in the world are Christianity, Islam, Hinduism, Animism, Shinto and Buddhism. *Animism* is the term used to describe the religion and philosophy of primitive people. The idea of magic is the key element of animism. Islam originated in seventh century. The number of Islamic countries has touched to about 56 in the world. The “Koran” is accepted as the ultimate guide in Islam religion. The foundation of Islam is based on five pillars—prayer, fasting, the recital of the creed, the pilgrimage to Mecca and alms giving. Muslims are not allowed to consume pork or alcohol. The role of women is very restricted.

Hinduism is closely related with India, because about 85 percent of its population is Hindu. The origin of Hinduism is about 1500 B.C. It is a common dictum that

“Hinduism is not a religion, but it is a way of life”. Hinduism is an ethnic, no credal religion. Capacity to absorb good ideas from outside has been the great strength of Hinduism over the centuries. Hinduism tends to assimilate rather than to exclude.

Joint families system is strength of Hinduism. One important Hindu practice is the caste system. In traditional Hindu society each caste was having a specific occupational and social role, connected with heredity. In Hinduism, there is great regard and respect for cow. Nirvana is another important concept of Hinduism.

Christianity is another important religion of the world. It has completed about 2000 years. Christian religion comprises different religious groups such as Roman Catholic and Protestant. Roman Catholic Christian traditionally has emphasized the church and the sacraments as the principal elements of religion. They believe that there is no salvation apart from the church. Protestant reformation paved the way for Catholicism. Catholic Christian believes that salvation is individual matter. Christian believes in hard work, achievements, accumulation of wealth, capital formation and desire for greater production.

Shinto is the principal religion of Japan. Important elements of Shinto religion are reverence for the special or divine origin of the Japanese people and reverence for the Japanese nation and the imperial family as the head of their nation. The impact of Shinto on Japanese life is reflected in an aggressive patriotism.

Buddhism springs from Hinduism about 600 B.C. This religion is reformation of Hinduism. Buddhism religion believes in four truths—the noble truth of the cause of suffering cites, the cause of desire, the noble truth of suffering states that suffering is omnipresent and part of the very nature of life, the noble truth of cessation of suffering sates that suffering ceases when desires ceases and middle path is the best way for life.

(B) External Micro Environment

Different factors of External macro environment is generally uncontrollable by the individual firm, but situation is different with regard to external micro environment. The elements of external micro environment are a part of firm's marketing system.

Therefore, marketing companies can manage them. Various elements of external micro environment are as under:

1. The Market

A market may be defined as a place where buyers and sellers meet, goods and services are offered for sale and transfer of ownership occur. Through, the market is part of external environment, but it is also certain that the market of every company is different. By effective use of market segmentation, the company may select correct target market, by careful comparison of its products with the profile of target market. For example, "Mercedes", which is super luxury car, is having only 2.5 percent global market share, but the company is happy with it. The market of "Maruti-800" is alto-

gether different. Therefore, it is clear that every company is having its own market and which can be influenced up to great extent.

2. Suppliers

Those institutions supplying raw materials or fabricated parts to the marketing company are termed as suppliers. For providing consistent quality products and services to the customers, strict specifications and guidelines regarding raw materials and fabricated parts assumes vital significance. By formulating sound policies, the marketing companies can keep smooth supply of raw materials to keep the production system uninterrupted. In the case of shortages of company's products, the customer may shift to rival company's brand.

3. Intermediaries

Intermediaries are important part of supply-chain of the company. Marketing intermediaries are independent business organizations that directly aid the flow of goods and services from marketing company to customers. By framing country specific policies and strategies the marketing company may secure maximum co-operation from intermediaries.

II. Internal Marketing Environment

The elements of internal marketing environment are generally manageable by the management of the company. Marketing companies can get enormous benefits by effective management of various elements of internal environment. Different elements of internal environment are as under:

1. Leadership

Leadership may be defined as the ability to influence a group toward the achievement of goals. Effective leaders have a vision and ability to articulate the vision into action. Effective leaders can be created by proper training, by providing conducive environment and assigning them challenging tasks with required autonomy. In this context the task of chief executive officer becomes very crucial. The visions of chief executive officer of marketing companies have far reaching consequences on the sound functioning of the company. For example, see the vision of Bill Gates, C.E.O. of "Microsoft"- "Personal computer on every table" This vision immensely motivate the employees of the company all round the world to increase the penetration of personal computers, particularly in those countries where penetration is only 10 to 30 persons per thousand.

2. Research and Development

Research and development is key factor for success in marketing to induct innovative products in the market and to make significant modifications in the existing

products. Marketing companies of developed countries divert generally 3 percent of their turnover to research and development activities for getting break through innovations and significant modifications in the existing product-mix. This requires state-of-the-art infrastructure and services of highly talented scientists and researchers.

Marketing companies can earn huge profits only by launching innovative products. This task is time consuming and requires long time. For example, in the year 1966 an agreement was signed between “SONY” and “PHILIPS” to jointly develop C.D. system. It took a very long period to develop new product. In the year 1986 both the companies jointly positioned C.D. system in the global markets and it was a great success. Unmatchable products can be developed by effective research and development. For example, it has been estimated that combined research and development cost of “Window-2000” was about 660 million U.S. dollars. Therefore, there is no alternate of Microsoft’s “Window-2000”. A different version of “Window-2000” was introduced as—”Window-XP”. The company has continuously upgraded its software to effectively cater new demands and requirements of customers. Company’s latest software which was named as, “Window-vista” is working very well.

3. Human Resources

Management of human resources becomes very challenging for marketing companies due to human resources from diversified cultures. Management of the marketing companies can design suitable personnel policies and by providing good work culture, may create dedicated and motivated human resources, which is the great asset for them. “Marriot” hotel chain of U.S.A. keeps the employees at the top in its organization chart. The management of the company believes that our employees must be satisfied first, because satisfied employees will create satisfied customers and satisfied customers will provide profitable sales volume to the company.

4. Financial Resources

Marketing companies have diversified investment and marketing operations in number of areas. This requires effective management of financial resources. Portfolio - management becomes crucial in this regard. Management of financial resources is

important for different aspects of marketing activities, such as providing funds to research and development, induction of new products, capacity expansion of present product-mix, implementation of sales promotion schemes and for advertising campaign.

5. Image of the Company

Image of the company is also manageable variable of marketing operations. It takes years for marketing company to earn favorable public image regarding its products

and services. Image building requires providing quality products and services at competitive prices, continuous quality improvement, prompt after sales services and giving proper attention to customer relationship marketing.

Example of “INTEL”, which is major microprocessor chip producing company of the U.S.A. is ideal in this regard. The chip of this company has earned enormous reputation and image in the world. Therefore, we see the headline “INTEL INSIDE” in every advertising copy and the brand name of computer becomes in shadow.

6. Marketing-Mix

Marketing company is free to design its marketing-mix. Marketing-mix comprises four Ps-product, price, place and promotion. Marketing companies have to design specific marketing-mix, because requirement of products, affordability of prices, availability of channel of distribution, requirement of advertising, availability of sales-force and suitable sales promotion schemes vary in the different segments of customers.

5.8 SUMMARY

In order to survive in increasingly competitive markets, businesses need to monitor and respond to changes in their external environment. The company’s response has been to ride the wave of new technological development. The emphasis has been on developing technological solutions to meet the needs of today’s customers. It is based on the recognition that sophisticated consumers require a range of digital solutions to access and display their images.

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

- A one off media story about the firm may affect daily operations and will therefore be part of the firm’s micro environment;
- Whilst a general desire to avoid a negative media story may influence a firm’s long term business operations and therefore make up the firm’s macro environment.

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

5.9 SELF ASSESSMENT QUESTIONS

1. Define marketing environment
2. State different factors of external marketing environment. Discuss the impact of external environment on firm's marketing decisions.
3. What do you mean by internal environment? Discuss its impact on firm's marketing decisions.
4. Write an essay on marketing environment.

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UNIT -6 : CONSUMER BEHAVIOUR

Structure:

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Meaning and Definitions Consumer Behaviour
- 6.3 Characteristics of Consumer Behaviour
- 6.4 Buyer Behaviour
- 6.5 Consumer decision making process
- 6.6 Factors affecting Consumer Behaviour
- 6.7 Parties involved in Buying Behaviour / Determinants of Consumer Behaviour
- 6.8 Summary
- 6.9 Self Assessment Questions
- 6.10 References

6.0 OBJECTIVES

After studying this unit, you should be able to;

- Define Consumer Behaviour
- Explain the characteristics of Consumer Behaviour
- Describe the process of Consumer Behaviour
- Bring out the factors affecting Consumer Behaviour

6.1 INTRODUCTION

The consumer market is estimated to be the 5th largest in the world. The consumer market has changed radically during the last ten years. There has been complete transformation of the consumer markets in India. There is a definite shift from sellers' market to buyers' market. A real boom in consumer products market clearly points out its growth in size range and sophistication. Consumer markets are the markets for products and services bought by individuals for their own or family use. The market is a basic issue if we consider any aspect of management and thus we are dealing with a vital concern for all business firms. A market is someone who seeks a response from another party called the prospect. If two parties are seeking to sell something to each other, both of them are referred to as markets. Consumer Behaviour has become highly volatile in the present era of globalization. Changes in consumer's exposure, income, education, experience, easy availability of foreign products and halo effect have casted their shadow on their Behaviour. Changes in perceptions play significant role in consumer Behaviour, few years ago, "car", which was deemed as luxury for the middle class of society has become necessity now a days.

In the present marketing scenario it has become inevitable for business firm to understand consumer Behaviour in order to provide want satisfying goods and services to present and potential consumer.

6.2 MEANING AND DEFINITIONS OF CONSUMER BEHAVIOUR

Consumer Behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society

It blends elements from psychology, sociology, social anthropology, marketing

and economics. It attempts to understand the decision-making processes of buyers, both individually and in groups such as how emotions affect buying Behaviour. It studies characteristics of individual consumers such demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

Customer Behaviour study is based on consumer buying Behaviour, with the customer playing the three distinct roles of user, payer and buyer. Research has shown that consumer Behaviour is difficult to predict, even for experts in the field.

Definitions

According to **Walter and Paul**, consumer Behaviour may be defined as “ the process whereby individual decide whether, what , when, where, how, and from where to purchase goods and services.

Webster says that “consumer behavior is all psychology, social and physical behaviour of potential customer as they become aware of evaluate, purchase, consumes and tell other people about product and services.”

6.3 CHARACTERISTICS OF CONSUMER BEHAVIOUR

Characteristics of consumer behaviour are:

- ◆ Consumer behaviour is the part of human behaviour. This cannot be separated. Human behaviour decides what to buy, when to buy etc. This is unpredictable in nature. We cannot say that what an individual is going to do in the next moment. Based on the past behavioural pattern one can at least estimate like the past he might behave.
- ◆ Learning the consumer is difficult and complex as it involves the study of human beings. Each individual behaves differently when he is placed at different situations. Every day is a lesson from each and every individual while we learn the consumer behaviour. Today one may purchase a product because of its smell, tomorrow it may vary and he will purchase another due to some another reason.
- ◆ Consumer behaviour is dynamic. A consumer's behaviour is always changing in nature. The taste and preference of the people vary. According to that consumers behave differently. As the modern world changes the consumer's behaving pattern also changes.
- ◆ Consumer behaviour is influenced by psychological, social and physical factors. A

consumer may be loyal with a product due to its status values. Another may stick with a product due to its economy in price. Understanding these factors by a marketer is crucial before placing the product to the consumers.

- ◆ Study of consumer behaviour is crucial for marketers. Before producing a product or launching a product, he has to go through a clear analysis of the consumer behaviour. If the people or prospects reject the product, he has to modify it.
- ◆ Consumer behaviour is a continuous process as it involves the process starts before the buying and continuing after purchasing. Before buying there will be high confusions and expectations about the product. After buying it, if the buyer is satisfied with the product he shows a positive behaviour, otherwise negative.

6.4 BUYER BEHAVIOUR

In addition to understanding the needs of your customers, you also need to understand what motivates them to purchase, and how you can influence the buying process to ensure that your products or services are on the shopping list.

Understanding your customers will help you to develop and distribute your product, as well as getting the right price point and developing successful promotional activities.

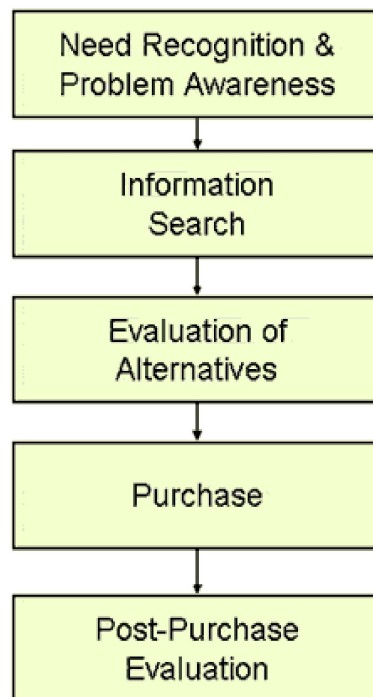
The psychology of the buying process has been widely studied, and no matter what size your business, knowledge of this process can help you become more successful.

Both businesses and consumers exhibit patterns of buying behaviour. The business model is less open to debate as your business customers will almost certainly have some formalised process of buying in place. Your task is to understand the process and match your marketing activities to the different stages of the process. This means that the customer will receive the right kind of contact at the right time.

Buyer behaviour is a process. Potential customers are subjected to various stimuli. The customer is regarded as a black box as we cannot see what is going on in his mind. He responds to the stimuli or input and may purchase some product or service of interest to him. Buyer behaviour involves both individual processes and group processes. It includes both consumer and industrial buyer behaviour. In buyer behaviour we consider not only why, how, and what people buy other factors such as where, how often and under what conditions the purchases is made.

Buyer behaviour is the decision processes and acts of people involved in buying and using products.

6.5 ^{2.5} CONSUMER DECISION MAKING PROCESS



1. Problem/Need Recognition:

This is in general the first stage in which the consumer recognizes that what essentially is the problem or need and hence accordingly a consumer can identify the product or kind of product which would be required by the consumer. The buying process starts when an unsatisfied need creates tension. Once the need is recognized, the consumer becomes aware of conflicting motives or competitive uses for their scarce resource of time or money. The need may be biogenic or dormant until it is aroused by an external stimulus such as an advertisement or the sight of the product. Need recognition may also occur due to dissatisfaction with the existing product.

2. Information Search:

In information search, the consumer searches about the product which would satisfy the need which has been recognized by the consumer in the stage previous stage.

Information search can be done in two ways: Internal and External

- ◆ Internal search, memory.
- ◆ External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.

A successful information search leaves a buyer with possible alternatives, the *evoked set*.

3. Evaluation of Alternatives:

In this stage, the consumer evaluates the different alternatives which the consumer comes across, when the consumer was searching for information. Generally in the information search the consumer comes across quite a few products and thus now the consumer has to evaluate and understand which product would be properly suited for the consumer. Once all the reasonable alternatives are identified, the consumer then evaluates each one preparatory to purchase decision. The criteria consumers use for their evaluation include their past experiences and attitudes towards various brands. Consumer also uses the opinions of member of their families and other reference group as guidelines in the selection of a particular brand. Thus, the evaluation stages represent a mental trail of the product. After evaluation the consumers make a decision either to purchase or reject the product.

4. Purchase decision:

After the consumer has evaluated all the options and would be having the intention to buy any product, there could be now only two things which might just change the decision of the consumer of buying the product that is what the other peers of the consumer think of the product and any unforeseen circumstances. Unforeseen circumstances for example in this case could be financial losses which led to not buying of the product.

5. Post Purchase Behavior:

After the purchase the consumer might just go through post purchase dissonance in which the consumer feels that buying the other product would be better. But a company should really take care of it, taking care of post purchase dissonance doesn't only spread good words for the product but also increases the chance of frequent repurchase.

6.6 FACTORS AFFECTING CONSUMER BEHAVIOUR/ DETERMINANTS OF CONSUMER BEHAVIOUR

1. Cultural Factors

Consumer behaviour is deeply influenced by cultural factors such as: buyer culture, subculture, and social class.

◆ **Culture**

Basically, culture is the part of every society and is the important cause of person wants and behaviour. The influence of culture on buying behaviour varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries.

◆ **Subculture**

Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Marketers can use these groups by segmenting the market into various small portions. For example marketers can design products according to the needs of a particular geographic group.

◆ **Social Class**

Every society possesses some form of social class which is important to the marketers because the buying behaviour of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Here we should note that social class is not only determined by income but there are various other factors as well such as: wealth, education, occupation etc.

2. Social Factors

Social factors also impact the buying behaviour of consumers. The important social factors are: reference groups, family, role and status.

◆ **Reference Groups**

Reference groups have potential in forming a person attitude or behaviour. The impact of reference groups varies across products and brands. For example if the product is visible such as dress, shoes, car etc then the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics).

◆ **Family**

Buyer behaviour is strongly influenced by the member of a family. Therefore marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a particular product is influenced by wife then the marketers will try to target the women in their advertisement. Here we should note that buying roles change with change in consumer lifestyles.

◆ **Roles and Status**

Each person possesses different roles and status in the society depending upon the groups, clubs, family, organization etc. to which he belongs. For example a woman is working in an organization as finance manager. Now she is playing two roles, one of finance manager and other of mother. Therefore her buying decisions will be influenced by her role and status.

3. Personal Factors

Personal factors can also affect the consumer behaviour. Some of the important personal factors that influence the buying behaviour are: lifestyle, economic situation, occupation, age, personality and self concept.

◆ **Age**

Age and life-cycle have potential impact on the consumer buying behaviour. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage.

◆ **Occupation**

The occupation of a person has significant impact on his buying behaviour. For example a marketing manager of an organization will try to purchase business suits, whereas a low level worker in the same organization will purchase rugged work clothes.

◆ **Economic Situation**

Consumer economic situation has great influence on his buying behaviour. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

◆ **Lifestyle**

Lifestyle of customers is another import factor affecting the consumer buying behaviour. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.

◆ **Personality**

Personality changes from person to person, time to time and place to place. Therefore it can greatly influence the buying behaviour of customers. Actually, Personality is not what one wears; rather it is the totality of behaviour of a man in different circumstances. It has different characteristics such as: dominance, aggressiveness, self-confidence etc which can be useful to determine the consumer behaviour for particular product or service.

4. Psychological Factors:

There are four important psychological factors affecting the consumer buying behaviour. These are: perception, motivation, learning, beliefs and attitudes.

◆ **Motivation**

The level of motivation also affects the buying behaviour of customers. Every person has different needs such as physiological needs, biological needs, social needs etc. The nature of the needs is that, some of them are most pressing while others are least pressing. Therefore a need becomes a motive when it is more pressing to direct the person to seek satisfaction.

◆ **Perception**

Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In case of selective attention, marketers try to attract the customer attention. Whereas, in case of selective distortion, customers try to interpret the information in a way that will support what the customers already believe. Similarly, in case of selective retention, marketers try to retain information that supports their beliefs.

◆ **Beliefs and Attitudes**

Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behaviour therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard.

6.7 PARTIES INVOLVED IN BUYING BEHAVIOUR

1. Initiator
2. Influencer
3. Decider
4. Buyer
5. User

6.8 SUMMARY

Consumer behaviour is an attempt to understand and predict human actions in the buying role. It has assumed growing importance under market oriented or customer oriented marketing planning and management. Consumer behaviour is reflected from awareness right through post purchase evaluation indicating satisfaction or non satisfaction, from purchase. Consumer behaviour involves both individual and group processes. It includes communication, purchasing and consumption behaviour and it is basically social in nature. Hence, social environment plays an important role in shaping buyer behaviour. Consumer behaviour includes both consumer and business buyer behaviour. Thus consumer/buyer behaviour includes the acts of individual directly involved in obtaining and using economic goods and services including sequence of decision processes that precede and determine these acts. Actual purchase is only a part of the decision process. An understanding of consumer/buyer behaviour is essential in marketing planning and programmes. Consumer/buyer behaviour is one of the most important keys to successful marketing.

6.9 SELF ASSESSMENT QUESTIONS

1. What do you mean by consumer behaviour?
2. Explain the characteristics of consumer behaviour
3. Discuss the process of consumer behaviour
4. Explain the concept of buyer behaviour
5. Explain the factors affecting consumer behaviour.

6.10 REFERENCES

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UNIT - 7 : MARKETING RESEARCH

Structure:

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Meaning and Definitions marketing research
- 7.3 Characteristics of marketing research
- 7.4 Importance of marketing research
- 7.5 Marketing research process
- 7.6 Summary
- 7.7 Self Assessment Questions
- 7.8 References

7.0 OBJECTIVES

After studying this unit, you should be able to;

- Define marketing research
- Discuss the importance of marketing research
- Explain the process of marketing research

7.1 INTRODUCTION

Marketing is a dynamic and restless field. Since 1930, many new dimensions and dramatic changes have taken place in marketing in which global marketing, customer satisfaction, e-marketing, cut-throat competition, changes in fashion, style and habits of customers are main. The old techniques of management by intuition and rule of thumb are no longer valid in present marketing decision-making. In carrying out marketing strategic planning and control, managers need information at almost every turn. They need information about target markets, customer's products, competition, buying Behaviour, dealers and other forces in the marketing place. In response to these requirements, a formal means of acquiring information to assist in the decision making of marketing has emerged. Then managers have no choice other than marketing research to obtain the information they need for decision-making.

7.2 MEANING AND DEFINITIONS OF MARKETING RESEARCH

Marketing research is a systematic effort for the solution of marketing problems. It covers the field of problems, techniques and other aspects of marketing and related decision-making and other implementation. In fact, the subject of marketing research is the result of consumer-oriented marketing. Marketing research links the organization with its market environment. It involves specifying, gathering, analyzing and interpreting information to help the management to understand the environment, identify problems and opportunities, and develop and evaluate courses of marketing action. It is a composite term which relates to all research activities and functions of marketing.

Definitions

Clark and Clark, says “**Marketing research** is the careful and objective study of product, design, markets and such transfer activities as physical distribution and warehousing, advertising and Sales Marketing.”

The American Marketing Association has defined marketing research as “The systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and services.” This committee has defined it in a new sense that

marketing research is the function which links the consumer, customer, and public to the marketer through information— information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.

Philip Kotler defines it as “Marketing research is the systematic problem analysis, model building and tact finding for the purpose of improved decision-making and control in the marketing of goods and services.” He further states that ‘marketing research is the systematic design, collection, analysis, and reporting of data and findings relevant [o a specific marketing situation facing the company.

According to **Ronald and Ted**, ‘Marketing research may be defined as the systematic gathering, recording and analyzing of data about problems relating to the marketing of goods and services under essentially non-recurring conditions.

David and Wales say that ‘Marketing research is the branch of marketing intelligence that conducts specific enquiries into problems in order to guide decisions.’

7.3 CHARACTERISTICS OF MARKETING RESEARCH

The above discussion explains the following characteristics of marketing research;

1. The nature of marketing research is curative one. The need for marketing research is felt when a company is facing any specific marketing problems.
2. Marketing research is used to eliminate possible risk of specific problems.
3. Marketing research is scientific in nature. It is carried out in a systematic manner in place of haphazard or hit and miss manner.
4. Marketing research contains objectivity rather than subjectivity. It means that the investigations in marketing research are not carried out lo prove a prior finding nor is it intentionally slanted to arrive at predetermined conclusions.
5. Marketing research is based on data, facts and information. Thus, marketing research is a search for data which are associated or relevant to a marketing problem.
6. Marketing research may relate to any problem or difficulty in marketing operations.
7. A specific procedure or process is followed to conduct marketing research. This process may involve identification of objectives, situation analysis, gathering and collection of information, analysis and interpretation of information and drawing conclusions.

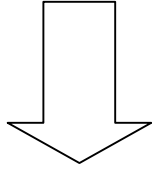
8. Marketing research has managerial purposes. It provides vital help 10 marketing executives for arriving at sound decisions.
9. Marketing research is solution oriented. After identification of real problems, efforts are made in marketing research to suggest suitable workable measures to overcome present problems.

7.4 IMPORTANCE OF MARKETING RESEARCH

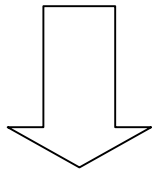
- ◆ Consumer-oriented Marketing
- ◆ Reduces Risks
- ◆ Effective Managerial Decisions
- ◆ Identification of Opportunities
- ◆ Stimulates Sales
- ◆ Integration between Company and Consumer Interests
- ◆ Assessment of Real Image of the Company
- ◆ Reduction in Marketing Cost
- ◆ More Profitability
- ◆ Confidence and Progressive Spirit in Marketing Personnel

7.5 MARKETING RESEARCH PROCESS

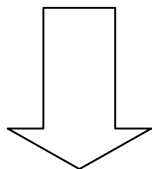
Problem Formulation



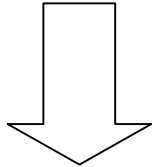
Situational Analysis



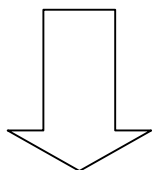
Determination of Research Objectives



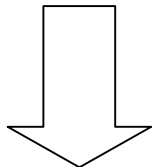
Planning and conduct formal investigation



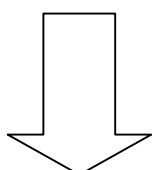
Collection of Primary Data or Techniques of Marketing Research



Data Processing



Report Writing



1. Problem Formulation

The first step in the process of marketing research is problem formulation. Identification of real marketing problem is necessary to keep the research activities directed towards a specific goal. This stage involves developing an understanding of the problem which requires further study and investigation. This task should be done very carefully because sometimes the apparent problem may not be the real problem.

For example, a marketing firm which was dealing in commercial air-conditioning equipments had been enjoying steady increase in sales over a good span of time. Firm decided to conduct sales research. Elementary findings by the marketing research firm shown though the firm's sales volume had been increasing, but market share was declining; because the industry was growing even at faster pace. Correct problem formulation is very important for the determination of research objectives.

2. Situational Analysis

In the second step the researcher should carry out a situation analysis. Situation analysis involves getting acquainted with the company and its business environment with the help of internal records of the company and extensive interviewing of company's executives and personnel. The researcher tries to get a feeling for the situation surrounding the problem within the company. This provides desired assistance to the researcher to define the problem more clearly. After completing internal analysis, the researcher tries to assess the company's total business environment, particularly the industry's conditions in detail, to examine its effects on the company. The researcher may consult customers, members of the channels of distribution, advertising agencies in order to obtain their opinions and reactions about the marketing problem.

3. Determination of Research Objectives

When the real marketing problem has been identified with the help of situation analysis the next step is determination of research objectives and development of appropriate hypotheses (if necessary). Research objectives are a frame of ends to be achieved through the research. Objectives are the 'why' aspect of the proposed study. Why do we want to study the problem? What do we expect from the proposed study? the answers to these questions may provide a clear direction to formulate specific objectives of the research. Objectives set the path of research work. The researcher may define the proposed problem more clearly by developing hypotheses for further testing. Development of hypothesis is a valuable step in problem solving. Hypotheses are tentative supposition or possible solutions to a problem based on the marketing experience, judgment or some documentary evidence. The hypotheses so developed by researcher are tested and the findings may either prove or disprove them.

4. Planning and Conduct Formal Investigation

After the identification of real problem and determination of research objectives and hypotheses the next important step is the preparation of a research plan and to conduct formal investigation. The major steps in this stage may be discussed under the following headings;

(a) Determination of Required Information or Data: Under this step the researcher determines the information or data required to find out the solution of the proposed marketing problem, keeping in view the objectives of the study. Some data may be available within the company and remaining may be collected by the researcher from **outside** sources. Procuring under information as **well as** over information, both are undesirable, so the list of desired information or data should be prepared carefully.

(b) Selection of the Sources of Information: In terms of sources, the information or data may be **primary** and secondary. **Primary data** are original data gathered specifically for the project at hand. **Secondary data** are those which are already gathered, having been collected originally for some other purposes. These data remain available in published or unpublished forms. One of the biggest **mistakes** made by many researchers is rushing out to get primary data before exhausting the information already available in secondary sources. Secondary data may be collected much faster and at¹ far less expenses than primary data. Therefore, the researcher should get the desired information giving priority to secondary sources. However, at the same time, secondary sources which are to be used by the researcher should meet certain standards of accuracy and must be reliable, relevant to the research problem and latest.

(c) Sources of Secondary Data: The researcher may gather secondary data from various sources. Desired secondary data may be collected from the following sources:

- (i) Internal records of the company may provide useful information with regard to sales record of the company, cost structure of products, expenses, complaints of consumers, etc.
- (ii) Different departments of the Central Government and State Governments provide very useful information in their publications. For example the **Department of Home Affairs** publishes **Census Reports** which are very useful to study demographic trends.
- (iii) Marketing Research Companies, such as **A.C. Nielsen India, ORG-MARG and The Indian Market Research Bureau (IMRB)**.
- (iv) Advertising Agencies,

- (v) Universities—large universities operate research bureaus and publish the findings of the researches carried out by the teachers and students,
- (vi) Non-profit Research Foundations,
- (vii) Trade, Professional and Business Associations,
- (viii) Publications of Reserve Bank of India,
- (ix) Centre for Monitoring the Indian Economy (CMIE).
- (x) Publications of Planning Commission,
- (xi) Newspapers, Magazines and Journals.
- (xii) Internet.**
- (xiii) **Yellow Pages** of telephone directories.
- (xiv) The **Source Directory** published by Mumbai based Source Publications,
- (xv) **R.K. Swami** Marketing Guide,
- (xvi) “Get it” **Yellow Pages**,
- (xvii) **Indian** Institute of Foreign Trade (IIFT)
- (xviii) Export Promotion Councils,
- (xix) Commodity Boards,
- (xx) The Thomas Register.

(d). Sources of Primary Data: After exhausting all reasonable secondary sources of information the researcher may still lack desired information for the study of the proposed marketing problem. Then the researcher will turn to primary sources to gather the remaining required information. These primary data or information may be gathered from the executives of the company, company’s sales force and members of the channels of distribution. Sales people can often supply quite current information from their sales territories. Middlemen may provide useful information and suggestions for the marketing problem. Primary data may also be gathered from the consumers of the company’s product to obtain their opinion, reactions, attitudes, motives and buying habits.

5. Collection of Primary Data or Techniques of Marketing Research

There are three widely used techniques for gathering primary data: survey technique, observational technique and experimental technique. Normally, not all the three techniques are used for one marketing research project. The choice of technique will depend upon requirement of research project, the availability of time, financial resources, personnel and facilities. A brief description of these techniques is given below;

1. Survey technique
2. Sampling technique
 - a. Simple random sampling
 - b. Systematic random sampling
 - c. Quota sampling
 - d. Cluster sampling
3. Survey method
4. Observational technique
5. Experimental technique

6. Data Processing: Analysis and Interpretation

In this stage the market researcher analyses the data and interprets the findings of the research. The data processing job involves editing, tabulation, analysis and interpretation. In editing the researcher ascertains that the instructions have been followed by investigators, answers are logical and consistent. In tabulation, data are arranged in classes and are assigned weights, if any. In analysing tabulated data, the researcher examines the data, compares them and makes desired statistical calculations. In interpretation, the researcher draws necessary conclusions. If hypotheses were drawn the researcher has to prove or disprove them on the basis of his findings. In the present era, the availability of sophisticated electronic data processing equipments enables a researcher to tabulate and analyse mass data quickly and relatively inexpensively.

7. Report Writing

The end product of the investigation is the researcher's findings, conclusions and recommendations presented in the form of Research Report. The researcher may prepare two types of reports—first the **General Report** and second the **Technical Report**. The **General Report** is prepared for the use of top management of the company. This report is prepared in short and contains only identified problem, research objectives, main findings, conclusions and recommendations. The **Technical Report** is a detailed report containing introduction, identified problem(s), brief outcome of situational analysis, objectives of the research; hypotheses, if any; research methodology; findings and conclusions; recommendations; appendixes and bibliography.

8. Follow-up

The task of research does not end with the presentation of report to the company. After detailed study of report the Company should implement the relevant suggestions.

After the expiry of reasonable time the company should conduct follow-up studies to assess the utility of the research carried out. It is in the interest of the researcher to follow-up his study to determine whether his recommendations are being followed, and if not what the reasons are. The researcher's future relations with the marketing company may be influenced by this step. The researcher may earn goodwill by the follow-up. It may provide him lessons and guidelines" for further researches. In the absence of follow-up by the researcher the company may not pay desired attention and action on the report. The report may be filed and forgotten!).

7.6 SUMMARY

Marketing research by itself does not arrive marketing decision nor does it guarantee that the organization will successful in marketing its products. However, when conducted in a systematic, analytic, objective manner, marketing decision will reduce uncertainty in decision making process and increase the probability and magnitude of success.

7.7 SELF ASSESSMENT QUESTIONS

1. What is marketing research?
2. Explain the significance of marketing research
3. Discuss the characteristics of marketing research
4. Explain the process of marketing research

7.8 REFERENCES

1. Philip Kotler. *Marketing Management*, New Delhi: Prentice Hall of India Pvt. Ltd. New Delhi, 2013.
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UNIT - 8 : MARKET SEGMENTATION

Structure:

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Meaning of market segmentation
- 8.3 Bases of market segmentation
- 8.4 Factors affecting market segmentation
- 8.5 Target market
- 8.6 Positioning
- 8.7 Lifestyle marketing
- 8.8 Marketing mix
- 8.9 Summary
- 8.10 Self Assessment Questions
- 8.11 References

8.0 OBJECTIVES

After studying this unit, you should be able to;

- Define market segmentation
- Explain the bases of market segmentation
- Highlight the factors affecting market segmentation
- Bring out the element of marketing mix
- Discuss the concept of positioning
- Explain target market

8.1 INTRODUCTION

Modern marketing has gained importance in the business world after advancement of Industrialization. The early success of mass production brought about a remarkable increase in the consumer products at affordable prices. Faced with the growing inventories, enterprises turned their attention to the science of marketing in order to identify and target willing customer. The variety and affordability of goods made possible by mass production made this challenge relatively easy. But as soon as consumer pent up demand was satisfied, consumer became less willing to purchase products that were not a good match for their particular needs and wants.

8.2 MEANING OF MARKET SEGMENTATION

Market segmentation is a marketing strategy that involves dividing a broad target market into subsets of consumer who have common needs and priorities, and then designing and implementing strategies to target them. Market segmentation strategies may be used to identify the target customers, and provide supporting data for positioning to achieve a marketing plan objective. Businesses may develop product differentiation strategies, or an undifferentiated approach, involving specific products or product line depending on the specific demand and attributes of the target segment.

A division of market into different homogenous group of consumer is known as market segmentation

8.3 BASES OF MARKET SEGMENTATION

There is no single way to segment a market. A marketer has to try different segmentation variables, alone and combination, to find the best way to view the market structure. Three broad groups of variables are used to segment consumer markets. They are Customer based segmentation, Product related segmentation and Competition related segmentation.

The major bases for segmentation are Geographic, Demographic, Psychographics and Behavioral variables.

a. Geographic segmentation

Over the years the marketers have learned to their sorrow that the same products and sales pitches that work beautifully in one place often bomb in others. The reason is consumers needs vary according to where they live. Geographic basis is generally the starting point of all segmentation strategy.

The geographic location of customer does help the firm in planning its marketing offer. The rural and

Urban divide is quite common in consumer market. Another very common base is metro or non-metro market. The assumption in using the geographical basis for segmentation is that a people in a particular geographical area have identical preferences and consumption habits.

The geographical basis of segmentation helps marketer in designing products, pricing, promotions and distribution strategies based on regional differences. One aspect of geographical market segmentation that appeals to marketers is the ease with which they can acquire this information and use it to compare sub segments.

b. Demographic segmentation

Segmentation of consumers based on demographic factors like age, sex, marital status, family size, race, religion, community, language, occupation, income/purchasing capacity, educational level, social status, and purchasing capacity constitutes demographic segmentation.

Age is a very commonly used base for market segmentation. It is based on the assumption that equal in the same age group will behave in an identical manner. The age based market segmentation consist of

Infants market, child market, teens market, adolescent market, youth market, middle aged market, elders or seniors market etc.,

The age profile of a population also can tell us whether the market is predominantly young or old. Youth market is one of the important age based market segmentation. The contemporary Indian youth constitute big chunk market can be sub divided to make different segments. The trouble with the youth market is that taste change faster with fads changing overnight. Hence for a firm targeting a youth market remaining relevant and contemporarily is the biggest challenge.

Income is another commonly used demographic variable in market segmentation. It is based on the assumption that as the consumer's income increases, his/her consumption behavior changes. Research findings indicate that expenditure on food and other basic amenities as a percentage of total expenditure declines as consumer income increases.

The market can be segmented as being: low income, low middle income, middle income, upper middle income, higher income.

Gender The male market is different from the female market. Hence, gender is used for segmenting the market for different products. While some products, like textiles, are exclusively made for each segment there are others which are-not exclusively made or marketed for one gender. A cosmetic firm will have to take a decision whether it wants to manufacture and market cosmetics for men only or women or for both. Lately, particularly in marketing jeans, the marketer is directing the product at both segments, as the product is unisex.

Occupation The occupation of the consumer is also an important variable in segmenting the market whether a person is self-employed, works full or part time; his/her position in an enterprise affects the consumption behavior. On the basis of consumption, one may find segments like professionals (like a doctor, chartered accountant and a consultant), traders or shopkeepers, businessmen or Industrialist, sales personnel, teachers, university professors, self employed people, students, housewives and the like.

Education The education profile of the customer will also affect his or her preferences and the level of awareness. It is a known fact that as literacy increases and people get educated, they become more aware about the environment and different products. They also become more aware about their rights. Based on education, the Indian market can be segmented as illiterates, literates, high school educated and secondary or university educated persons. Again, within university-educated persons, the market can be segmented among the graduates, postgraduates and post doctorates.

Marital status Another demographic basis used for segmentation is the marital status of the customer. The assumption is that the behavior and assumption patterns of single and married people differ.

Family size and structure is another important demographic variable is the family size or structure. With the spread of the family planning programme and with its acceptance among more and more urban families, one finds that the average family size has been declining from a high of 5-6 persons per family in 1970s to 4 in the late 1970s

and early 1980s to just 3 in the 1990s, One finds that the family norm now is birth control. So today, the marketer can segment his market into families with three or less members, families with four members and families with more than five members.

c. Psycho graphic variables

Psychographics is a method of studying people's lifestyle, based largely on analyzing the general pattern of activities, interest, and opinions that they evidence, 'two consumers can share the same demographic characteristics and yet be very different. For e.g. You may decide to take a side seeing vacation in Goa, while your best friend whose demographic make up and income match your own, may prefer to get away from it all in a small cabin in another city.

Most contemporary psychographics research looks at activities (work, hobbies, social events, entertainments, shopping, sports), interest (family, job, community, recreation, reading, watching TV), and opinions (about one self, social issues, politics, business, economics, the future, specific products). Research that studies these three variables uses what are often called AIO questionnaires to solicit people's responses.

One of the most popular commercially available classification systems based on psychographics measurement is Consulting Business Intelligence (SRIC- BI) VALS framework. VALS classifies adults into eight primary groups based on personality traits and key demographics. The VLS segmentation system consist of eight types of customer groups are as follows:

Innovators: Successful, sophisticated, active, take-charge people with high self esteem. Purchases often reflect cultivated taste for relatively up scale, niche oriented products and services.

Thinkers: Mature, satisfied and reflective people who are motivated by ideals and value order, knowledge and responsibility. Favor durability, functionality, and value in products.

Achievers: Successful goal oriented people who focus on career and family. Favor premium products that demonstrate success to their peers.

Experiences: Young, enthusiastic, impulsive people who seek variety and excitement. Spent a comparatively high proportion of income on fashion, entertainment and socializing.

Believers: Conservative, conventional, and traditional people with concrete believe. Favor familiar, and loyal to established brands.

Strivers: Trendy and fun loving people who arc resources constrain favor stylish products that emulate the purchases of those with greater material wealth.

Makers: Practical, down to earth, self-sufficient people who like to work with their hands.

Survivors: Elderly, passive people who are concerned about change. Loyal to their favorite brands.

d. Behavioral segmentation

Behavioral segmentation divides people into groups on the basis of how they behave with respect to a product. Whether or not use it, how often they use it, how much of it they use, and how loyally. Marketers employ a usage rate to group people according to their purchase and use of a product. Consumer usage is most commonly categorized as heavy, medium, light and non-usage.

Many marketers believe that behavioral variables are: Occasions, benefits, user status, usage rate, loyalty status, buyer readiness stage, and altitude.

Occasion: Occasion can be defined in terms of the time of day, week, month, year, or in terms of other well-defined temporal aspects of a consumer life. Buyers can be distinguished according to the occasion when they develop a need, purchase a product or use a product. Occasion segmentation can help firms expand product usage for e.g. News paper, milk, ice cream, garments, etc.,

Benefits: Buyers can be classified according to the benefit they seek. Customers purchasing toothpaste can seek different benefits such freshness, cleanliness, brightness of the teeth etc.

User status: Markets can be segmented into groups of non-users, ex-users, potential users, first time user, regular users of a product. Blood banks cannot rely only on regular donors to supply blood; they must also recruit new first-time donors and contact ex-donors. Each will require a different marketing strategy. Included in the potential user group are consumers who will become users in connection with some life stage or life event. Mothers-to-be are potential users who will turn into heavy users. Producers of infant products and services learn their names and shower them with products and ads to capture a share of their future purchases. Market-share leaders tend to focus on attracting potential users because they have the most to gain. Smaller firms focus on trying to attract current users away from the market leader.

Usage Kate: Markets can be segmented into light, medium, and heavy product users. Heavy users are often a small percentage of the market but account for a high percentage of total consumption. For example, heavy beer drinkers account for 87 percent of the beer consumer- almost seven times as much as the light beer drinkers. Marketers would rather attract one heavy user than several light users. A potential problem however

is that heavy user often either is extremely loyal to one brand, or never stays loyal to a brand and is always looking for the lowest price.

Buyer- Readiness Stage: A market consists of people in different stages of readiness to buy a product. Some are unaware of the product, some are aware, some are informed, and some are interested. Some desire the product, and some intend to buy. The relative numbers make a big difference in designing the marketing program. Suppose a health agency wants to encourage women to have an annual pap test to detect possible cervical cancer. At the beginning, most women may be unaware of the Pap test. The marketing effort should go into awareness-building advertising using a simple message. Later, the advertising should dramatize the benefits of the Pap test and the risks of not taking it. A special offer of a free health examination might motivate women to actually sign up for the test.

8.4 FACTORS AFFECTING MARKET SEGMENTATION

Following factors affect the feasibility of segmentation of market:

1. Easy to identify and measure:

First of all customers' needs for the product must be heterogeneous. Not only identification of potentials should be possible but measurement of the number of such people should also be easy. Thus, segments should be identifiable and divisible.

2. Accessible:

Segmentation would serve no purpose, if the target customers can't be reached. Suppose a fast food company has identified the college canteens to be a good segment, but if the colleges do not permit the fast food to supply or serve college canteens, the segmentation would serve no purpose. Similarly, Cuban rum and cigar can't reach American market due to political and traderelations.

3. Meaningful:

The basis used to distinguish market into segments must lead the company to show clear variations in preferences, needs, and consumer behaviour in response to different marketing mixes designed individually for each segment. Thus, division into segments would enable a comparison with regard to sales, cost and profits. At least one segment must have enough profit potential to justify "developing and maintaining a special marketing mix for that segment.

4. Viability:

The basis used should lead to segments that are so large to be economically and practically viable to be served. Viability depends upon size and sustainability, (enough

volume), identity (unique characteristics), relevance and usefulness (relevant to important characteristics), measurability (measured), access (not too difficult and too costly to reach to them), and stability (stable in short, medium and long term).

5. Unique:

Segment so chosen has to be unique so that it can be distinguished from other market segments.

6. Appropriate:

The segment must be appropriate to the objectives and resources of the organisation. Exxon Mobil during 1993-2006 had three segmentation principles validated in the marketplace. First, simpler segmentation, which tends to be more robust, flexible, and cost effective over the long term; second, it must reveal both where customers are now and where they are going, so that the company can put the same face before the customer in Cairo or Illinois; and third, segmentation analysis and strategy must be updated regularly.

Other factors are:

- ◆ Size of the market
- ◆ Nature of the market
- ◆ Product life cycle
- ◆ Degree of competition
- ◆ Industry life cycle
- ◆ Fluctuation of market
- ◆ etc.,

8.5 TARGET MARKET

A target market is a group of customers towards which a business has decided to aim its marketing and ultimately its merchandise. A well-defined target market is the first element to a marketing strategy. The marketing mix variables of product, price, place and promotional strategy that determine the success of a product in the market place.

Target markets are groups of individuals that are separated by distinguishable and noticeable aspects. Target markets can be separated by the following aspects:

- Segmentations - addresses (their location climate region)
- Demographic or socio economic segmentation - (gender, age, income, occupation, education, household size, and stage in the family life cycle)

- Psychographic segmentation - (similar attitudes, values, and lifestyles)
- Behavioral segmentation - (occasions, degree of loyalty)
- product-related segmentation - (relationship to a product)

In addition to these segmentations, market researchers have advocated a needs-based market segmentation approach to identify smaller and better defined target groups. Some approaches to these smaller groups are:

- ◆ Select the target audience – the customers are grouped based on similar needs and benefits sought by them on purchase of a product.
- ◆ Identify clusters of similar needs – demographics, lifestyle, usage behavior and pattern used to differentiate between segments.
- ◆ Apply a valuation approach – market growth, barriers to entry, market access, switching, etc. are used.
- ◆ Test the segments – A segment storyboard is to be created to test the attractiveness of each segment’s positioning strategy.
- ◆ Modify marketing mix – expanding segment positioning strategy to include all aspects of marketing mix.

Strategies for reaching target market

Marketers have outlined four basic strategies to satisfy target markets: undifferentiated marketing or mass marketing differentiated marketing, concentrated marketing, and micro marketing niche marketing.

Mass marketing

A market coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer. It is the type of marketing (or attempting to sell through persuasion) of a product to a wide audience. The idea is to broadcast a message that will reach the largest number of people possible. Traditionally mass marketing has focused on radio, television and newspapers as the medium used to reach this broad audience.

Differentiated marketing strategy

One where the company decides to provide separate offerings to each different market segment that it targets. It is also called multi segment marketing and as is clearly seen that it tries to appeal to multiple segments in the market. Each segment is targeted uniquely as the company provides unique benefits to different segments. It increases the total sales but at the expense of increase in the cost of investing in the business.

Concentrated marketing

A strategy which targets very defined and specific segments of the consumer population. It is particularly effective for small companies with limited resources as it does not believe in the use of mass production, mass distribution and mass advertising. There is no increase in the total profits of the sales as it targets just one segment of the market.

Direct marketing

For sales teams, one way to reach out to target markets is through direct marketing. This is done by buying consumer database based on the defined segmentation profiles. This database usually comes with consumer contacts (e.g., email, mobile no., home no., etc.).

8.6 POSITIONING

Positioning is the marketing activity and process of identifying a market problem or opportunity, and developing a solution based on market research, segmentation and supporting data. Positioning may refer the position a business has chosen to carry out their marketing and business objectives. Positioning relates to strategy, in the specific or tactical development phases of carrying out an objective to achieve a business' or organization's goals, such as increasing sales volume, brand reorganization or reach in advertising.

Positioning concepts:

More generally, there are three types of positioning concepts:

1. Functional positions
 - ◆ Solve problems
 - ◆ Provide benefits to customers
 - ◆ Get favorable perception by investors (stock profile) and lenders
2. Symbolic positions
 - Self-image enhancement
 - Ego identification
 - Belongingness and social meaningfulness
 - Affective fulfillment
3. Experiential positions
 - ◆ Provide sensory stimulation
 - ◆ Provide cognitive stimulation

Product positioning process

Generally, the product positioning process involves:-

1. Defining the market in which the product or brand will compete (who the relevant buyers are)
2. Identifying the attributes (also called dimensions) that define the product 'space'
3. Collecting information from a sample of customers about their perceptions of each product on the relevant attributes
4. Determine each product's share of mind
5. Determine each product's current location in the product space
6. Determine the target market's preferred combination of attributes (referred to as an *ideal vector*)
7. Examine the fit between the product and the market.

8.7 LIFESTYLE MARKETING

In the 21st century, "Lifestyle Marketing" has become the magic buzzword and the latest merchandising strategy to enthrall customers after the 80s "Niche Marketing" and the 90s "Branding" craze. Simply put, lifestyle marketing is having a promotional approach centred on the interests, values, attitudes and way of life of consumers/target group. The key words here are 'WAY OF LIFE' of prospects and customers.

In lifestyle marketing one categorizes customers based on their interests, activities and opinions. A classic example of lifestyle marketing is the HARLEY-DAVIDSON bike that has morphed in to cult marketing. Similarly Shahnaz Hussain and her array of beauty products are a way-of-life.

Lifestyle marketing attempts to group customers according to some amalgamation of three categories of variables Activities, Interests, and Opinions (AIO) and identifies the potency of a customer's chosen lifestyle for determining the sort of products to be purchased and the specific brands that are further likely to appeal to the chosen lifestyle segment. Lifestyle marketing has assumed a new paradigm in today's competitive business world.

Lifestyle Marketing necessitates and works best when companies are able to connect with the lifestyle of their existing and potential customers by developing effective marketing strategies that seamlessly fit their way of living. It provides tremendous opportunities to the companies to directly target a specific type of consumer who will most likely be an enthusiast of the company's specific products and thus, provide a competitive business advantage to the company and generate more business.

The companies have to be constantly attentive and tuned in to the simple reality that understanding consumers and reflecting their AIO through sound message is what really builds for successful Lifestyle Brands and Lifestyle Marketing.

With that in mind, the companies should dedicate a concrete portion of the marketing energies towards Lifestyle Marketing. Lifestyle is something that defines our very existence, a 'way of life' that is determined by the decisions we make on a daily basis. Brands pertaining to lifestyle are fundamentally vehicles for self expression and a way of telling the world much about who we are as human beings. Lifestyle Marketing is committed to matching the needs of individuals to products and services that enhance their 'way of life'. Working across the lifestyle consumer categories; travel, tourism, art, music, health, food, wine, technology and spa, we also operate in the B2B space providing PR solutions for a variety of businesses that have included digital agencies & travel management companies.

Consultative consideration is given to demographic habits, attitudes, tastes and economic levels that underlie end-user behavioural patterns in an evolving and ever-changing consumer environment.

Lifestyle Marketing consultants operate in a sense as mobile Marketing Directors, providing strategy & implementation as a partner to your business. We love working with dynamic brands in our commitment to delivering effective communication solutions & results.

8.8 MARKETING MIX

The marketing mix is a business tool used in marketing and by marketers. The marketing mix is often crucial when determining a product or brand's offer, and is often associated with the **four P's: product, price, place and promotion**. In service marketing, however, the four Ps are expanded to the **seven P's** or **eight P's** to address the different nature of services.

In the 1990s, the concept of **four C's** was introduced as a more customer-driven replacement of four P's. There are two theories based on four Cs: (*consumer, cost, communication, convenience*), and Shimizu's four Cs (*commodity, cost, communication, channel*).

In 2012, a new four P's theory was proposed with *people, processes, programs, and performance*

Category	Definition
<u>Product</u>	<p>A product is seen as an item that satisfies what a consumer demands. It is a tangible good or intangible service. Tangible products are those that have an independent physical existence. Typical examples of mass-produced, tangible objects are the motor car and the disposable razor. A less obvious but ubiquitous mass-produced service is a computer operating system</p> <p>Every product is subject to a life cycle including a growth phase followed by a maturity phase and finally an eventual period of decline as sales fall. Marketers must do careful research on how long the life cycle of the product they are marketing is likely to be and focus their attention on different challenges that arise as the product moves.</p> <p>The marketer must also consider the product mix. Marketers can expand the current product mix by increasing a certain product line's depth or by increasing the number of product lines. Marketers should consider how to position the product, how to exploit the brand, how to exploit the company's resources and how to configure the product mix so that each product complements the other. The marketer must also consider product development strategies.</p>
<u>Price</u>	<p>The amount a customer pays for the product. The price is very important as it determines the company's profit and hence, survival. Adjusting the price has a profound impact on the marketing strategy, and depending on the price on elasticity of the product, often it will affect the demand and sales as well. The marketer should set a price that complements the other elements of the marketing mix.</p> <p>When setting a price, the marketer must be aware of the customer perceived value for the product. Three basic pricing strategies are: market skimming pricing, market penetrated pricing and neutral pricing. The 'reference value' (where the consumer refers to the prices of competing products) and the 'differential value' (the consumer's view of this product's attributes versus the attributes of other products) must be taken into account.</p>

<p>Promotion</p>	<p>All of the methods of communication that a marketer may use to provide information to different parties about the product. Promotion comprises elements such as: advertising, public relation sales organization and sales promotion.</p> <p>Advertising covers any communication that is paid for, from cinema commercials, radio and Internet advertisements through print media and billboards. Public relations is where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word-of-mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and public relations (see 'product' above).</p>
<p>Distribution(Place)</p>	<p>Refers to providing the product at a place which is convenient for consumers to access. Various strategies such as intensive distribution, selective distribution, exclusive distribution and franchising can be used by the marketer to complement the other aspects of the marketing mix.</p>

8.9 SUMMARY

There are two bases for segmenting consumer markets; consumer characteristics and consumer responses. Marketers usually segment markets according to five broad classes of characteristics: demographic, geographic, psychographics, behavioral, and benefit. Demographic segmentation is based on such factors as age, life stage, gender, ethnicity, religion, income, education, socioeconomic status, and household size. Geographic segmentation takes into account international, national, regional, state, city, county and even neighborhood differences. The chief variables in psychographics segmentation are social class, lifestyle, and personality; the VALS 2 model is often used in psychographics segmentation. Behavioral segmentation is generally based on usage rates, user status, or brand loyalty. Some markets are segmented on the basis of the specific benefits consumers seek or the problems they expect a product to solve.

8.10 SELF ASSESSMENT QUESTIONS

1. What are the bases for segmenting consumer market?
2. Explain the variables in demographic basis of segmentation?
3. What is Geographical and Psychographics segmentation?
4. Explain the behavioral basis for market segmentation?

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UNIT - 9 : CONCEPT OF A PRODUCT –MAJOR PRODUCT DECISIONS -PRODUCT LINE AND PRODUCT MIX

Structure:

- 9.0 Objectives
- 9.1 Introduction: Concept of Product
- 9.2 Major Product decisions
- 9.3 Consumer Product classes
 - 9.3.1 Convenience Products
 - 9.3.2 Shopping Products
 - 9.3.3 Speciality Products
 - 9.3.4 Unsought Products
- 9.4 Product Hierarchy
- 9.5 Product Mix
- 9.6 Determinants of the Product Mix
- 9.7 Factors influencing Product Mix.
- 9.8 Product strategies
- 9.9 Factors Influencing Changes in Product Mix
- 9.10 Product Line
- 9.11 Product Line strategies
 - 9.11.1 Line stretching
 - 9.11 .2 Line Filling
 - 9.11.3 Line Modernisation
 - 9.11.4 Line Feathering
- 9.12 Summary
- 9.13. Self Assessment Questions
- 9.14. References

9.0 OBJECTIVES

After studying this unit, you will be able to ;

- Know the definition of product and product mix
- Explain the major classification of product classes
- Discuss the determinants of Product mix.

9.1 INTRODUCTION- CONCEPT OF PRODUCT

When a marketing firm has decided to generate revenue through the exchange process for the existence, naturally it should offer some products or services to the target market. This the exchange mode for the survival of a firm. The products or services it offers to the target market are the central variables in its marketing efforts. In a dynamic competitive environment the products offered by the firm should meet the expectations and aspirations of the target market for enjoying continued patronage. Hence, a marketing firm that develops market offerings must consider the different aspects of product or services from the consumers viewpoint.

A product may be defined as a bundle of utilities consisting of various product features and accompanying services. The bundle of utilities or the physical and psychological satisfaction that the buyer receives is provided by the seller when he sells a particular product. The customer does not buy merely the physical and chemical attributes of a product. He is really buying want satisfaction. He will buy a product which can offer him expected satisfaction. What a buyer buys is a mixture of expected physical and psychological satisfactions. Therefore, the term ‘product’ does not mean only the physical product but the total product including brand, packaging, label, status of manufacturer and distributor and– Product (Toothpaste)- Product definition(Provide dental care). services offered to the customer, in addition to the physical product. Eg. Company(Colgate)

Product means need satisfying offering of firm. , The idea of ‘Product’ as potential customer satisfaction or benefits is very important. Many business managers get wrapped up in the technical details involved in producing a product. Most customers think about a product in terms of the total satisfaction it provides. That satisfaction may require a “total” product offering that is really a combination of excellent service , a physical good with the right features, useful instructions, a convenient package, a trustworthy warranty, and even a familiar name that has satisfied the consumer in the past. Product quality should also be determined by how customers view the product. From a marketing perspective, quality means a product’s ability to satisfy a customer’s

needs or requirements i.e., how the customer thinks a product will fit some. Purpose. For example, the best satellite T.V service may not be the one with the highest number of channels but the one that includes a local channel that a consumer wants to watch. Similarly, the best quality clothing for casual wear on campus may be a pair of jeans, not a pair of dress slacks made of a higher grade fabric. However, a product with better features is not a high-quality product if the features aren't what the target market wants. Quality and satisfaction depend on the total product offering.

According to **Philip Kotler**: "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need". A product or service is essentially offered to satisfy a need or want. So, want satisfying is the basic characteristics of a product. It can also be defined as an article introduced in the market that seeks attention, desire for acquisition and image for use to get satisfaction of a want or need of a customer. A firm's marketing plan must begin with the determination of its offerings to the target market. A customer focused firm must formulate its offerings –product or services on the basis of analysing the exact needs and wants of the target market. The product is the heart of the marketing mix. Marketing mix determines the rightness of a product in the market with a view to provide consumer satisfaction to a large extent. Thus, the implication of the marketing mix lies in identifying a right product with an appropriate planning of the product-line at the right price is done with potential scope of business expansion, product diversification and qualitative improvement in products through the right promotion policies. It is essential to plan for product in the market in a way to optimise the profit of the firm and the efficiency.

A product includes both goods and services. It is known by its actual utilities and also the perception that consumers have about them. In this sense, a product can be defined as :

From the point of view of the seller: A product is a "any want- satisfying good or service which is considered together with its perceived tangible and intangible attributes." The tangible attributes constitute the physical object like car or a television set. The intangible attributes are the services that form part of the product and consist of benefits and satisfactions that are intangible and do not result in any ownership. The shape, colour, sound effect, picture effect and sales services are the intangibles attached with product. "Television"

From the point of view of the buyer: From the consumer's viewpoint, a product is defined as a series or group of satisfactions. Whatever be the tangible or intangible features of a product, unless the consumer perceives a product as need –satisfier, the product fails to achieve its intended purpose.

9.2 MAJOR PRODUCT DECISIONS

Product decisions involve product mix- total group of products offered by the company. Product lines –group of closely related product items. Brands –combination of name , symbol, tem or design that identifies specific product, Packaging, Labelling and . Positioning.

A product is closely associated with the need and level of satisfaction of the customers. The hierarchy of products is based on their utility and intensity of customer satisfaction. In developing a useful product, a planner has to look upon its levels. A product has many other dimension besides its physical appearance. A product has five layers or dimensions according to Philip Kotler. At the time of visualizing any product, the marketer thinks of it at different levels. These are:

- ◆ Core Product/Benefit
- ◆ Basic Product
- ◆ Expected Product
- ◆ Augmented Product.
- ◆ Potential Product

Core Product/ Benefit: The fundamental aspect is the core product , which tries to answer the question of why the buyer should have it or buy it. The marketer should try to reveal the underlying motives behind buying the same product, should also determine what that product means to the consumer before designing the product. Aspirations of the consumers differ from place to place from time to time. Thus , the same product may satisfy different generic requirements. The marketer should design the product after considering the impact of different possible generic requirements. Core product meets the basic needs . It may be defined as the product that provides a core benefit to a customer irrespective of its taste, colour, attraction, beauty etc.. Eg., Cloth, Food Item. It is the fundamental dimension of a product as it represents a bundle of benefits to its prospective buyer. The core product answers the question: ‘ What is the buyer really buying’? For example a woman buying washing machine is buying comfort and not a mere collection of drum, heater and nuts and bolts for their own sake. The basis job of a marketer is to sell the core benefits.

Basic Product : The basic product is what the target market recognises as the offer. Tangible product broadly possess five characteristics comprising quality, features, style, brand and packaging. These factors have a direct bearing on the product marketing.

Expected Product: The customer expects the basic product to be enveloped by certain features, style, quality and brand, package. The most visible part of the product is its features. Thus, an expected product is that product which is normally taken for granted by the customer. The product levels also determine the selling process to a large extent. The core product plays an important role in product planning while the tangible product initiates the sales management process. The augmented product drives the concept of extended sales mechanism for marketing expansion and product diversification.

Augmented Product: Product augmentation is a set of approaches followed by a company in promoting its product through effective delivery and service, incentives to customers and dealers, warranty to seek customers' confidence on product and maintain a product-oriented relationship of customers' with the company. It represents the totality of the benefits that a person may receive or experience in getting the formal product. The augmented product of a T.V. seller is not only the T.V., but also delivery, free installation, guarantee, and service and maintenance. This dimension of the product is very important for a firm operating in a competitive market. The firm that develops the right augmented product will be able to attract more customers and survive the competitive market. The company must consider the relative cost of the augmentation and the price accepted for the product by the customers. The resulting trade-off sets the limits for product differentiation strategy to be adopted by the company. Marketers usually try to identify many tangible aspects in the form of features, style, packaging, quality, etc. Marketers should offer particular features depending on the generic need of the buyer.

Consumers are attracted by diverse augmented services, for example, marketers may use the corporate image or brand name, delivery warranty, credit terms, after sales programmes etc. If a company could customize the various types of augmented service in a product, it stands the best chance to succeed in the long run.

Potential Product : The last level of the product is its potential part, i.e., all the unexpected changes in technology, attributes, features, styles, colour, grade, quality etc that might change the structure and character of industry.

The product levels indicate the importance of all benefits that are or could be passed on to a consumer. Further, they help indicate the importance of creating differentiation by changes in the product levels which might be required to counter competition.

9.3 CONSUMER PRODUCT CLASSES

Consumer product classes are divided into four groups. They are:

1. Convenience
2. Shopping
3. Speciality and
4. Unsought.

Each class is based on the way people buy products.

9.3.1 Convenience Products are products a consumer needs but isn't willing to spend much time or effort on shopping. These products are bought often, require little service or selling, does not cost much, and may even be bought by habit. A convenient product may be a staple, impulse product or emergency product.

◆ **Staples** are products that are bought often, routinely, and without much thought, like breakfast cereals and most other packaged foods used almost every day in almost every household. Goods that consumers purchase on a regular basis. For example, toilet soap, detergent, toothpaste.

◆ **Impulse products** are products that are bought quickly- an unplanned purchase because of a strongly felt need. Impulse products are items that the customer hadn't planned to buy, decides to buy on sight, may have bought the same way many times before, and wants right now. If the buyer doesn't see an impulse product at the right time, the sale may be lost. These goods are usually procured due to external stimulus.

◆ **Emergency products** are products that are purchased immediately when the need is great. The customer doesn't have time to shop when a traffic accident occurs, or a thunderstorm begins. The price of the ambulance service, raincoat won't be important.

9.3.2 Shopping Products are products that a customer feels are worth the time and effort to compare with competing products. Shopping products can be divided into two types, depending on what customer are comparing: Homogeneous or Heterogeneous shopping products.

◆ Homogeneous shopping products are shopping products the customer sees as basically the same and wants at the lowest price. Some consumers feel that certain sizes and types of computers, television sets, washing machines and even cars are very similar. So they shop for the best price. In some product, the Internet has become a way to do shopping quickly.

◆ Heterogeneous shopping products are shopping products the customer sees as different and wants to inspect for quality and suitability. Furniture, clothing are some

examples. Often the consumer expects help from a knowledgeable salesperson. Quality and style matter more than price. In fact, once the customer finds the right product, price may not matter at all, as long as it is reasonable. Branding may be less important for heterogeneous shopping products.

9.3.3 Speciality products are consumer products that the customer really wants and makes a special effort to find. Shopping for a speciality product doesn't mean comparing. The buyer wants that special product and is willing to search for it. It's the customer's willingness to search that makes it a speciality product. Any branded product that consumers insist on by name is a speciality product. Marketing managers want customers to see their products as speciality products and ask for them over and over again. Building that kind of relationship isn't easy. It means satisfying the customer every time.

9.3.4 Unsought products are products that potential customers don't yet want or know they can buy. So they don't search for them at all. Consumers won't buy these products if they see them unless promotion can show their value. There are two types of unsought products. New unsought products are products offering really new ideas that potential customers don't know about yet. Informative promotion can help convince customers to accept the product, ending its unsought status. Regularly unsought products are products like life insurance and encyclopaedias, that stay unsought but not unbought forever. There may be a need, but potential customers aren't motivated to satisfy. For this kind of products, personal selling is very important.

9.4 PRODUCT HIERARCHY

The product hierarchy stretches from basic needs to particular items that satisfy those needs. The hierarchy consists of six levels:

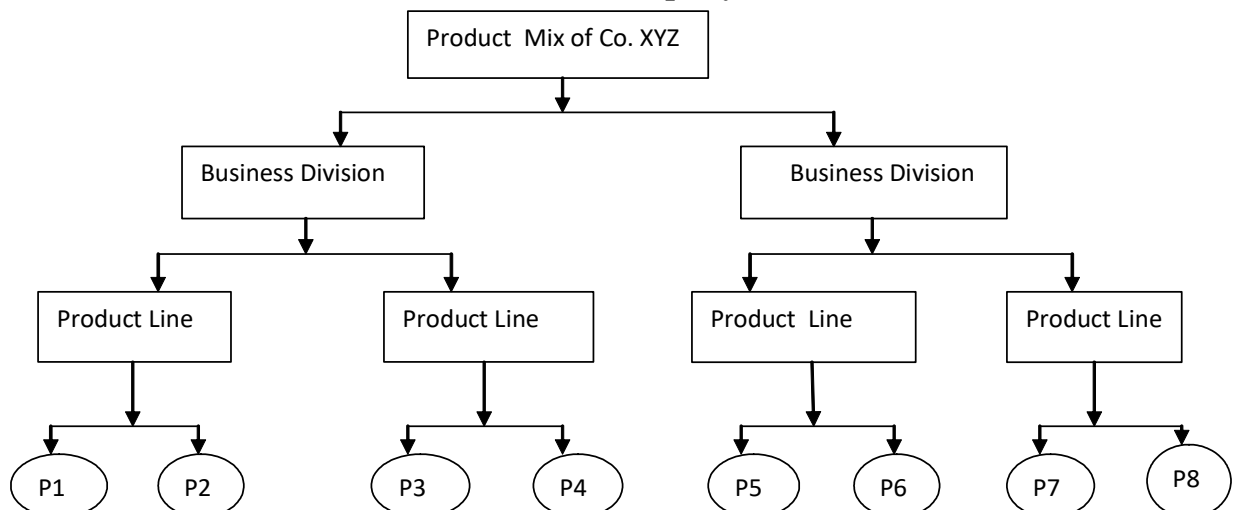
1. **Need family:** The core need that underlines the existence of a product family.
Example thirst
2. **Product family:** All the product classes that can satisfy a core need with reasonable effectiveness. Example Mineral water, Fresh juice, Bottled Juice, Soft drinks, Tea, Coffee
3. **Product class:** A group of products within the product family recognized as having a certain functional coherence. Also known as product category. Example Soft drink.
4. **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 outlets or channels, or fall within given price ranges. A product line may be composed of different brands or a single-family brand or individual brand that has been line extended. Example Aerated soft drinks.

5. **Product Type:** A group of items within a product line that share one of several possible forms of the product.
6. **Item or product variant:** A distinct unit within a brand or product line distinguishable by size, price, appearance or some other attribute.

9.5 PRODUCT MIX

It is the set of all product lines and items that a particular company offers to buyers. The width, depth and consistency of product mix enables a company to define its product portfolio, appeal to different consumer needs/ segments and encourage one-stop buying. The **width** of a product mix refers to how many different product lines a company carries. The **depth** of a product mix refers how many variants of each product are offered in the line, for eg., Colgate-Palmolive 's Halo shampoo comes in three formulations and three sizes and hence has a product mix depth of nine This kind of assortment is popularly referred as stock keeping units. The **consistency** of a product mix refers to how closely related the various product lines are in end use. Hence, Nestle's product lines are consistent in the sense that they are all food products, P& G has unrelated product mix. A broad width or deep mix goes to satisfy the needs of several consumer groups and maximise shelf-space and sustain dealer support. Most producers deal with more than one product and no producer depends on a single product for along time. The market conditions may compel the producer to add new product or services in order to survive in the environment. The number of products produced and offered by a firm is called its **product mix**. Tee product mix of Tata's ranges from table salt to heavy machines and equipment, products of Hindustan Machine Tools ranges from Wrist watches to Computer Numerical Control machines. Thus the product mix of a company may consists of several business divisions, each business division may have one or more product lines and each product line may have one or more products targeting different market segments.

Product Mix of Company XYZ



The product mix of the company XYZ consists of two major business divisions and each business division has two product lines. Further, each product line has two product/brand. Therefore, the number of business is two, the number of product lines is four and the number of products is eight. The product mix of the company –business division, product line and product/brands is under the direct control and responsibility of the top management which also reviews the performance of the product mix of the company. It may take decisions to add new product to the already existing business divisions or drop products and even wind up a business division after evaluating its contributions to the overall earnings of the company.

Product mix greatly affects the positioning of the product and expansion plans. For example, Videocon, an electronic manufacturing company introduced itself into kitchen equipments by starting a new company with brand 'Kenstar'. The line expansion was considered to be inconsistent with the Videocon's image in consumer electronics and therefore a separate product line with different brand was offered to the Indian consumer.

9.6 DETERMINANTS OF PRODUCT MIX

The conditions, which appear to exert a major influence on the product mix decision, are technology, competition, operating capacity, and market factors.

Technology: The rate of technological change is accelerating, and technical research is unquestionably the most basic force affecting the product mix of the individual company.

Competition: A second important determinant of a firm's product mix is change in the competitor's product offerings. Changes in competitive products represent a direct challenge to a company, and if the change is a truly significant improvement, it may prove disastrous unless it can be matched or surpassed within a reasonable length of time. In addition to changes in their product design, competitors may make changes in overall product mix and put a rival at a competitive disadvantage.

Operating capacity: Another important factor influencing a marketer's product mix is under-utilised capacity. Since production facilities are usually composed of complexes of inter-related machines, changes in production capacity can rarely be made in small increments.

Market factors: Although declines in demand are disturbing to management and may result in an expansion of the product mix in an effort to replace lost business, upward changes are also significant. These market factors comprise:

- ◆ Shifts in customer's product mix
- ◆ Changes in availability or cost
- ◆ Changes in manufacturing processes
- ◆ Shifts in location of customers
- ◆ Changes in levels of business activity

9.7 FACTORS INFLUENCING PRODUCT MIX

It is very difficult for a marketer to take a decision about the number of products it should produce at a given time because the number of products of product-mix is affected by several factors. Changes in the product –mix , ie., adding or eliminating products may be due to the following factors:

- Change in demand for the product.
- Change in purchasing power or behaviour of the customers.
- Change in company targets.
- Development of by-products by using residual, at low cost.
- The competitor's actions and reactions.
- Financial influences of the firm.
- Advertising and distribution factors.
- Goodwill of the firm .
- Possibility of adding new product to its product line at less cost.

Most of the firms sell more than one product in the consumer goods market and each of these products has a limited life span(Product-life –cycle) . In order to make best sale during life time of the product, marketing managers adopt strategies called as product strategies. This is a process where a course of action to monitor, compare and evaluate the performance of different products and make decisions about future of the products.

9.8 PRODUCT STRATEGIES

Product strategies are determined by the product mix. Different ways in which product mix can affect its product strategies are as follows:

- ◆ **Strategy to widen the product mix:** Firms can build up their reputation in the market by widening their product mix, that is, adding another product line to the existing product line. Firms dealing in selling garments may, for example, also start selling footwear.

◆ **Strategy to lengthen the product mix or full –line strategy:** Firms can add more products in the given product line. For example, a firm which is selling only ball pens may add fountain pens, gel pens, pencils and other items of stationery to its existing product line. The firm dealing in garments which is currently selling only trousers may lengthen its product line by selling shirts, ties, socks, belts etc. Full line strategy helps firms to offer a wide range of products in the existing product line and penetrate into a larger market share.

◆ **Strategy to deepen the product mix:** Firms can deepen their product mix by adding more varieties to the existing product. A firm dealing in cotton shirts for men only can deepen its product mix by selling cotton, silk and synthetic shirts for men and children. This strategy also helps firms to widen market share.

◆ **Strategy to develop product line consistency:** Depending on whether firms wish to add more products in the existing or delete some of them from the existing line in order to maintain consistency in the existing market or in several markets, firms can frame strategies to develop product line consistency. Firms, can delete some products from the existing line say for example trousers from men's range of attire and become marketing specialist aiming at exclusive market segment, or delete some product lines say footwear and become specialist in a single line product or delete all but one product to become specialists in production and marketing of that product.

The product mix, thus helps firms in framing strategies what will help them in making long-term decisions and achieve specific objectives of the marketing department and overall objectives of the firm.

9.9 FACTORS INFLUENCING CHANGES IN PRODUCT MIX

- **Change in market demand:** the change in the demand of a product (due to change in habits, fashion, purchasing power, income, attitudes and preferences of consumers) affects the decision of product mix.
- **Cost of production:** if the company can develop a new product with the help of the same labour force, plant and machinery and techniques, it can decide to start the production of that product at lower cost.
- **Quantity of production:** if the production of new product is considered to be at a large scale and the company can add one more item to its product line just to get the economics of large scale production. Keeping in view its production capacity and other factors.

- **Advertising and distribution factors:** Advertising and distribution factors may be the one of the reason for the changes in production mix. If the advertising and distribution factors organization are the same, the company may take the decision to add one more item to its product line.
- **Use of residuals:** if residual can be used gainfully, the company can develop it's by products into the main products. For example, a sugar mill can profitably develop the production of paper card board or wine from biogases.
- **Change in company desire:** keeping in mind the objectives of the firm, maintaining or increasing the profitability of the concern, the firm may eliminate some of its unprofitable processes or may start a new more profitable product. In this way, the firm tries to make its product mix an ideal one.
- **Competitions actions and reactions:** the decision of adding or eliminating the product may be the reaction of competitor's actions. If company thinks that it can meet the competition well by making necessary changes in the size, colour, packing or price, it can make such changes.
- **Change in purchasing power or behaviour of the customers:** if the numbers of customers are increased with the increase in their purchasing power or with the change in their buying habits, fashion, etc. the company may think of adding one or more product keeping mass production or increase in profitability in the mind.
- **Full utilization of marketing capacity:** if the company is not getting desired results from the market, it can decide to stop the production of such a product and divert its resources to produce a new product or improve the existing product, according to the needs of the consumers.
- **Financial resources:** finance is the life blood of the firm. Availability of the finance may necessarily some changes in the product of the company. If the company is short of finance or if the product is continuously going into loss the company may decide to drop such production similarly, if the company has sufficient funds, it may improve its products.

9.10 PRODUCT LINE

It is a group that is closely related because they perform a similar function, targeted at the same customer group, and marketed through the same channel. Product mix may consist of product lines which come under different business divisions. An individual product in a line is termed as a product item. Thus , there are many product items in a product line and a number of product lines in the product –mix of a big firm.

Product line analysis is an essential dimension in evolving a product plan. Product line is a component of product –mix which a company offers to the customers exhibiting the length and width of the range of products. The analysis of product line depends on two important information's. They are volume of sales and profit on each item and the competitors' product line in the same market or segment. The analysis of the product –line requires an awareness on the market profile to plan the positioning of the product in a competitive environment.

9.11 PRODUCT LINE STRATEGIES

9.11.1 Line Stretching:

Decisions pertaining to line stretching are taken whenever the marketer feels he can increase his profits by either adding or dropping items from the line. It can be upwards, downwards or both ways. **Upward stretching** occurs when a company enters the upper end through a line extension. The reason for this may be a higher growth rate, better margins or simply a wish to be a full line marketer. An example of a successful upward stretch would be that of Lifebuoy, which started from a hygienic bath soap for the masses to a premium quality liquid hand wash for the higher strata of society. Throughout the stretch the brand had used hygiene as its core benefit. **Downward stretching** takes place when the company finds that its offerings are at the high price end of the market and then stretch their line downwards For example, P& G's Ariel detergent began at premium end and the downmarket Ariel bar was introduced to tap the lower segment.

9.11.2 Line Filling

A product line can also be lengthened by adding more items within the present product range. There are several reasons for line filling.

- ◆ Reaching for incremental profits.
- ◆ Trying to satisfy dealers who complain about lost sales because of missing items on the line.
- ◆ Trying to utilise excess capacity
- ◆ Trying to offer a full line of the product.
- ◆ Trying to plug hole in the positioning map.

The launch of Cinthol, in different variants is an example of line filling. Today Cinthol is a lime soap with yellow packaging and cologne variation with blue wrapping apart from the initial Cinthol fresh. The company needs to differentiate each item in the consumer's mind.

9.11.3 Line Modernization :

In the rapidly changing market, product modernisation is carried out continuously. Because competitors are constantly upgrading their options, each company must redesign their own offering. A company would like to upgrade customers to higher-valued, higher-priced items. A major issue is the timing of the product line improvements so that they do not happen too early and damage the sales of their current product line, or come out too late so that the competition can establish a strong foothold.

9.11.4 Line Feathering:

In case of durable products, marketers at times select one or a few items to “feature”. The idea is to attract consumers into the showrooms and then try to get them exposed to other models. At times, the marketer will feature a high end item to lend prestige to the product line. These products act as “flagships” to enhance the whole line.

Sometimes a company finds one end of its line selling well and the other poorly. The company may try to boost the demand for the slow-moving items, especially if they are produced in a factory that is lying idle due to lack of demand.

Some of the growth strategies followed by FMCG companies are as follows:

- Multi -brand strategy
- Product flanking
- Brand extension
- Building product lines
- New product development
- Innovations in core products
- Long term outlook
- Extending the PLC
- Expanding markets by usage
- Wide distribution network
- Monitoring the pulse of the consumers
- Advertising and media coverage
- Sales promotion.

9.12 SUMMARY

A product thus may be defined as a bundle of utilities consisting of various product features and accompanying services. A product has several layers and each of

the layers contributes to the total product image. Thus product –mix involves planning, developing and producing the right types of products and services to be marketed by the firm. Product decisions are very important to ensure the sale of products. The product-mix of a company is one of the most important aspects of its operations. A firm may offer many product items in a product line and a number of product lines in the product mix.

9.13 SELF ASSESSMENT QUESTIONS

1. What do you understand by the term product?
2. Explain the different layers of a product.
3. Define product mix.
4. What is Product line?
5. Explain the factors influencing product mix.
6. Briefly explain the product line strategies.

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UNIT -10 : BRANDING, PACKAGING AND LABELLING

STRUCTURE:

- 10.0 Objectives
- 10.1 Introduction to Branding
- 10.2 Definition of branding
- 10.3 Essentials of a Good brand
- 10.4 Criteria for choosing a brand name
- 10.5 Benefits of Branding
 - 10.5.1 To Buyers
 - 10.5.1 To Sellers
- 10.6 Strategic Relevance of Branding
- 10.7 Introduction to Packaging
- 10.8 Functions of Packaging
- 10.9 Importance of Packaging
- 10.10 Introduction to Labelling
- 10.11 Summary
- 10.12 Self Assessment Questions
- 10.13 References

10.0 OBJECTIVES

After studying this unit, you will be able to;

- Define branding.
- Discuss the importance of Packaging
- Explain the concept of labelling

10.1 INTRODUCTION TO BRANDING

The physical product is only a part of the product image. It cannot stand alone before the potential buyer. There are other elements that surround the product to give a complete product concept. The word “brand” derives from the Old Norse “brandr” meaning “to burn” - recalling the practice of producers burning their mark (or brand) onto their products. The Italians used brands in the form of watermarks on paper in the 13th century. Blind Stamps, hallmarks and silver-makers’ marks are all types of brand.

Factories established during the Industrial Revolution introduced mass-produced goods and needed to sell their products to a wider market - to customers previously familiar only with locally-produced goods. It quickly became apparent that a generic package of soap had difficulty competing with familiar, local products. The packaged-goods manufacturers needed to convince the market that the public could place just as much trust in the non-local product. Pears Soap, Campbell soup, Coco-Cola, Juicy Fruit gum, and Quaker Oats were among the first products to be “branded” in an effort to increase the consumer’s familiarity with their merits. Many brands of that era, such as Uncle Ben’s rice and Kellogg’s breakfast cereal furnish illustrations of the problem. A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. With the opening up of the economy in the early 1990s, dramatic changes in consumer lifestyles and widening consumer choices consequent to a variety of products being available in the market; business houses in India have started realizing the value of brands. Even non-branded commodities like rice, salt, refined cooking oil and industrial products like cement, aluminium are being converted into prestigious brands that have come to stay. Basically, a brand name is an integral part of a product and plays a key role in its promotion. It helps to create, maintain, stimulate and strengthen the demand for a product. To the consumer, brand is a promise of quality. To a company, well managed brands are creators of wealth.

10.2 DEFINITION OF BRANDING

According to American Marketing Association, ‘A brand is a name, term, design, symbol or any other feature that identifies one seller’s product or service as distinct from those of other sellers. The legal term for brand is trade mark. A brand may identify one item, a family of items or all items of the seller. A brand is a complex concept that covers practically all means of identifying a product and embraces a set of values and attributes. It is both tangible as well as intangible and is developed over time.

Brand is a name , trade mark , logo, term , symbol or design or a combination of them which is intended to identify the goods or services or one seller or group of sellers and to differentiate them from those of competitors. A brand identifies the product for a buyer and gives seller a chance to earn good-will and repeated patronage . Brand is not a mere trademark or name or logo. **It is a set of ‘intangible values’** which create deep psychological impressions in the minds of consumers. It represents the trust and reputation which a company has built for a product for a product over the years. A successful brand helps to create a strong emotional bond with customers. Brand helps to create added value in the product or service. The importance of the brand is that it always attempts to create an impression of added value for the product or service in the minds of consumers. Branding is the practice of giving a specified name to a product or group of products from one seller. Branding strategy indicates how the firm chooses to use branding as an integral part of its overall marketing strategy. Branding is another dimension of marketing strategy. A brand is essentially a seller’s promise to deliver a specific set of features , benefits, and services consistently to the buyers. The best brand convey a warranty of quality. It conveys the **Attributes, Benefits, Values, Culture, Personality, and User**. Example Mercedes Car, Godrej, . Brand vary in the amount of power and value they have in the market place. At one extreme are brands not known to most buyers. Then there are brands for which buyers have a high degree of brand awareness. Similarly there can be high degree of brand acceptability and high degree of brand loyalty also. The brand name is the centre around which the entire marketing mix is built up. The brand name can incorporate all marketing efforts together either in the consumer mind or in the marketing program. Brands are most powerful instruments of sales promotion as they contribute to ever-increasing competition, importance of packaging as a distinct function as branding and packaging go hand in hand, need for advertising and publicity, development of consumer brand consciousness . Not only branding gives separate identity and easy recognition to the product but it also creates special consumer preference . Branding constitutes the basis for successful activity of demand creation. Example Vim, Lifebuoy , Lux, Colgate, Promise etc.

10.3 ESSENTIAL OF GOOD BRAND

1. A brand should suggest about a product's benefits- its use, quality, product's nature, purpose, performance.
2. The name should be short, simple, easy to pronounce to spell and remember, easy to identify and easy to advertise .
3. It should be capable of being registered and protected legally under the legislation.
4. It should have a stable life and be unaffected by time.
5. It should be unique, attractive and distinctive eg., Wheel, Rin, Fair & Lovely

Brands typically are made up of various elements, such as:

- Name: The word or words used to identify a company, product, service, or concept.
- Logo: The visual trademark that identifies the brand.
- Tagline or Catchphrase: "The Quicker Picker Upper" is associated with Bounty paper towels.
- Graphics: The dynamic ribbon is a trademarked part of Coca-Cola's brand.
- Shapes: The distinctive shapes of the Coca-Cola bottle and of the Volkswagen Beetle are trademarked elements of those brands.
- Colors: Owens-Corning is the only brand of fibreglass insulation that can be pink.
- Sounds: A unique tune or set of notes can denote a brand. NBC's chimes are a famous example.
- Scents: The rose-jasmine-musk scent of Chanel No. 5 is trademarked.
- Tastes: Kentucky Fried Chicken has trademarked its special recipe of eleven herbs and spices for fried chicken.
- Movements: Lamborghini has trademarked the upward motion of its car doors.
- Customer relationship management.

10.4 CRITERIA FOR CHOOSING A BRAND NAME

- ◆ Easy for customers to say, spell and recall (inc. foreigners)
- ◆ Indicate products major benefits
- ◆ Should be distinctive
- ◆ Compatible with all products in product line
- ◆ Used and recognized in all types of media
- ◆ Single and multiple words Bic, Dodge Grand Caravan, IBM PC (letters), or a combination Mazda RX7

- ◆ Use words of no meaning to avoid negative connotation, Kodak, Exxon
- ◆ Can be created internally by the organization, or by a consultancy
- ◆ Legal restrictions, i.e. Food products must adhere to the Nutrition Labeling and Education Act, 1990...May 8 1994

10.5 BENEFITS OF BRANDING

1.5.1 To Buyers

- Help buyers identify the product that they like/dislike.
- Identify marketer
- Helps reduce the time needed for purchase.
- Helps buyers evaluate quality of products especially if unable to judge a products characteristics.
- Helps reduce buyers perceived risk of purchase.
- Buyer may derive a psychological reward from owning the brand, IE Rolex or Mercedes.

1.5.2 To Sellers

- ◆ Differentiate product offering from competitors
- ◆ Helps segment market by creating tailored images, IE Contact lenses
- ◆ Brand identifies the company's products making repeat purchases easier for customers.
- ◆ Reduce price comparisons
- ◆ Brand helps firm introduce a new product that carries the name of one or more of its existing products...half as much as using a new brand, lower co. designs, advertising and promotional costs.

EXAMPLE, Gummy Savers

- Easier cooperation with intermediaries with well known brands
- Facilitates promotional efforts.
- Helps foster brand loyalty helping to stabilize market share.
- Firms *may* be able to charge a premium for the brand.

10.6 STRATEGIC RELEVANCE OF BRANDING

Brand is much more than the name or the creation of an external indication that the product or service has received an organisation's imprint or its mark. The following are the strategic relevance and logic of branding. A brand :

- ◆ Aims to segment the market.
- ◆ Starts with a big idea.
- ◆ Has an enduring value.
- ◆ Tries to protect the innovation.
- ◆ Is a living memory.
- ◆ Shall sustain though the product may die.

A brand aims to segment the market: Brand building is part of a strategy aimed at differentiating the offering companies try to better fulfil the expectations of specific groups of customers. They do so by consistently and repeatedly providing combination of attributes-both tangible , practical and symbolic , visible and invisible value-under conditions that are economically viable for the company. The company wants to leave its mark on a given field and sets its imprint on the particular offering.

A brand starts with a Big Idea: The first task in brand building is defining what the brand infuses into the product or service. Branding , however, is not based on what goes on, but what goes in. The result is an augmented product or service which must be indicated in one way or the other if it is to be noticed by potential buyers, and it the company is to reap the fruits of its efforts before it is copied by others.

A brand has an Enduring Value: If a brand is merely a label, then such a product would lose its value as soon as it loses its sign of brand identification. This explains the value of Lux soap when it carries the HLL label for the past 75 years.

A brand tries to protect the Innovation : Brands become known through the products they create and bring on to the market. Whenever a brand innovates, it generates 'me-too-ism' . Any progress made quickly becomes the standard to which buyers become accustomed to. Competing brands most often follow through and at times bring out improved versions as they do not want to fall beneath the market expectations. For a short time, an innovative brand enjoys monopoly, but it will be a fragile one unless the innovation is patented.

A Product may Die but the Brand will sustain: A brand protects the innovator , granting momentary exclusiveness and rewarding the willingness to take risks. Brand cannot be reduced to a symbol or a product or a merely graphic and cosmetic exercise.

A brand is the signature on a constantly renewed , creative process. Products are introduced, they live and disappear, but the inner or core value of the original brand endures.

Brand is a living Memory: The spirit of the brand can only be inferred through its products and its advertising . The content of the brand grows out of the cumulative memory of various acts, provided they are governed by a set of unifying ideas or guidelines. The importance of memory in encompassing a brand explains why its image can vary structurally from generation to generation.

Advantages of Branding: Over the years , successful companies have come to realise that brand names are indispensable for promoting and developing their products. A brand is strategic instrument which, if handled properly, can prove to be very rewarding to its owners. Successful brands liked Lux, Coco- Cola, Pepsi, Titan, Colgate etc., command enormous value as they enhance the competitive position of the company concerned, contribute to its financial well-being and benefit not only manufacturers and consumers but also distributors.

- Brand build relationship with Consumers
- Gives assurance to uniform quality
- Develops brand loyal consumers
- Assures continuity of sales volume and revenue.
- Facilitates Product Promotion
- Enables strong control over Middlemen
- Assures against Threat from competitors
- Gives Maximum mileage for Expenditure incurred
- Enhancement in the value of the Company
- Reduction in Threat from Price Competition
- Introduction of New Products

Thus branding is the process of stamping a product with a specific name and mark to give it an individuality. Brand names are printed or inscribed not only on the products but also on their packages to make them easily distinguishable.

10.7 INTRODUCTION TO PACKAGING

Packaging means wrapping , compressing, filling or creating of goods for the purpose of protection of goods and their convenient handling. Packaging is called the fifth 'P' of marketing. Packaging is concerned with designing and producing of appropriate

packages for a product. The significance of packaging has increased because of severe competition in the market and rise in the standard of living of the people. Good packaging protects a product on its route from the seller to the buyer. Packaged goods are more convenient to handle. Packaging facilitates the sale of a product. It acts as a silent salesman of the manufacturer, particularly at a place where there is widespread use of self-service. Packages are sealed to ensure products of right quality to the customers. Package means a case, container, wrapper or other receptacle for packing goods. The Packaging is the designing and producing of the container or wrapper for a product in order to prepare the goods for transport, sale and usage.

Packaging is an integral marketing strategy to glamorize a product in order to attract the consumer's attention. Many consumers will judge a product by its packaging before buying it, so creating a compelling and alluring design will build first time buyers intrigue. Packaging is literally the products identity. Another all time classic case of is the Coca Cola bottle. On it, Coke displays an instantly recognizable logo and distinctive shape which propelled the product to global fame. In many cases, as with coke, the packaging is so important that it costs more than the product itself. As a result, packaging should be included amongst the four P's of marketing: product, place, promotion and price. The role of packaging in marketing has become quite significant as it is one of the ways companies can get consumers to notice products.

Packaging plays a vital role in terms of protection, storage and hygienic handling of a product and it plays a key role in the marketing mix. Timothy Beattie, GM of Pyrotec PackMedia, a leading provider in product identification solutions, says, "Packaging is often regarded as the most important form of advertising at the most critical point of all in the purchasing journey: the point of purchase."

Once the decision is taken on the brand then the design and make-up of the package and the labelling of the package becomes important. Packaging includes the activities of designing and producing the container for a product. The container is called the package, and it might include three levels of material. Primary, secondary and shipping package. Packaging has become the potent marketing tool. Well-designed packages can create convenience and promotional value. Various factors have contributed to packaging's growing use as a marketing tool, such as Self-service, Consumer affluence, Company and Brand image, and Innovation opportunity. Developing an effective package for a new product requires several decisions. Companies must give sufficient attention to growing environmental and safety concerns about packaging. Shortages of paper, aluminium, and other materials suggest that marketers should try to reduce packaging. Many packages end up as broken bottles and crumpled cans. Modern methods of packaging

are available to the manufacturers to establish their branded products as distinct from those of his rivals. The more effectively a product is packaged, the more effective is its identity and individuality. Packaging is much more than mere packing. Packaging is a marketing necessity. In the present day consumer oriented marketing approach, packaging has gained unique importance. From the marketer's point of view it is a sales tool, it identifies the maker as well as the product and carries the brand name, the package label informs the buyer about the inner contents and how to use them, it is the biggest advertising medium, it moves the product at the point of purchase, it encourages impulse buying, it establishes product image and it identifies the product with advertising. Thus modern package acts as a multi-purpose arrangement.

10.8 FUNCTIONS OF PACKAGING

Packaging should serve the basic functions:

1. Protection of the product : The basic function of the package is to protect the product from:

- ◆ Breakage or damage due to mishandling. For example cardboard package for the washing machines.
- ◆ Extremes of temperature. For example, package for the Amul butter includes information for keeping the product in refrigerator.
- ◆ Contamination with external elements such as dirt or chemical elements. For example, Sunfloweroil comes in sealed packs so that no external object may disturb the purity of the oil.
- ◆ Absorption of moisture or odour of foreign elements. For example, drugs are packed in sealed bottles, and aluminium foils to protect them from absorbing odour.
- ◆ Loss of liquid or vapour. For example, petrol is packed in plastic containers which are fully covered and placed over one another. This leads to control in pilferage of the bottles in transit.

2. Appeal to the Customer: Package is an important marketing tool particularly for consumer products such as cosmetics, chocolates, and gift articles. A package performs the self-selling tasks-attract attention, tell the product features and usage; and build confidence on the product usefulness. Packaging has special role to play for sales promotion activities.

3. Perform Functionally: The science and technology part of the package refers to a package performing functions. For example, Dalda used to come in tin packs. Now, it comes in plastic packs with handle grip so that the package not only stores the product, it is handy and therefore can be kept near the place of cooling.

4. Convenience: A good design of the package would provide many advantages: convenient to stock, display, not waste shelf-space, retains its looks during shelf display, and is easy to dispose-off. Thus standardisation of the packages provide great convenience to the manufacturers, resellers and the consumers.

5. Cost –Effective: A package costs the manufacturer. The cost of package should not alarmingly increase the price of the product.

6. Easy handling: Packaged goods are very easy to handle. Handling instructions can also be mentioned on the package to ensure safe handling of goods, example ‘Glass Handle with Care’.

7. Preventing Adulteration: Packaging is also necessary to prevent adulteration of goods by the unscrupulous traders. For instance, Ghee, Oils etc, need sealed packaging to prevent any possibility of adulteration.

8. Publicity to Product: Packaging gives individuality to the product and this acts as a device of publicity. Manufacturers choose attractive packages so that the users are able to remember and identify their products. Packaging helps in pushing up the sales of a product. It beautifies the product so as to attract the customers. A customer may be ready to pay a higher price of a product because its package is very attractive and reusable.

10.9 IMPORTANCE OF PACKAGING

Packaging is an important device of sales promotion. It acts as a colourful and silent salesman. It gives full information about the uses and features of the product to the users. It helps in giving individuality to the product. Branding is not possible without packaging. In the modern age of competitive marketing, packaging has assumed certain other objectives also. It is used as a medium of publicity, in preventing adulteration of goods, and ensures safety of the product. The packaging industry uses glass, aluminium paper, tin, paper and cardboards, cellophane, plastic, polythene for producing packages.

While managing the packaging function, attention needs to be given to the various regulations that the government has laid down. Government regulations are many and encompass areas such as use of specific packaging materials for certain products, consumer protection, transportation of hazardous cargo etc.

Earlier the role of packaging was merely to protect the product. With the proliferation of brands in consumer goods, packaging no longer takes a backseat in the marketing mix. Today with so many parity brands trying to vie for consumers attention and shelf space, attractive packaging has become a necessity. Also because brand loyalty is

fast eroding in case of fast moving consumer goods, consumers are resorting to more of impulse buying and are eager to try new brands. In the light of this tendency, attractive packaging has gained importance. Hence, the companies today are just not catering specific benefits according to their buyer specifications, but are trying to add value by innovative packaging.

Of late, packaging has been used in the positioning of some product. In particular, the size, shape, type, colour, and design of packaging has been carefully chosen to give the product distinct identity. For example, fruit juice brands like Frooti received a good response from the market partly because of their attractive tetra packs. This form of packaging also added to the shelf-life of the product and made it easy to store as well as carry. Pond's cold cream in a handy tube enhanced sales, both through market enlargement and greater consumption. Its new package changed the entire concept of cold cream being used only once a day, to one that could be used at any time throughout the day. This positioning by elegant packaging specifically appealed to frequent travellers.

Another frequently applied packaging technique is economy size packaging. The products in very small sized packets, has also become popular means of positioning the product for some special group of customers. The Indian market is today replete with cases where success can be attributed to smaller sized packages. Today, sachets are being used for packaging many items of personal use such as shampoos, meant for a single use. Another packaging oriented positioning is found in cases of reusable and convenience packaging. This form of packaging has attracted consumers who look for economy and convenience, for eg., Nescafe in reusable glass jars or disposable sachets.

The package provides the buyer's first encounter with the product and is capable of turning him 'on' or 'off'. Many marketers have called packaging a 5th P along with Price, Product, Place and Promotion. Packaging is treated as an element of the product strategy. Well designed packages can create an image of convenience or quality for the consumer and promotional value for the product. Planter's Pride, a high quality brand of Darjeeling tea, targeted at the 'discerning' consumer of tea was priced at a premium. The brand success is believed to be because of its vacuum packaging. Uncle Chipps' potato chips commands a high premium on its range of packaged potato chips based on delivery of freshness, crispness and retention of flavour. This is possible by the use of packaging technology wherein the product is packed in air-tight metal foil packets filled with a nitrogen atmosphere to prevent air from leaking in and spoiling the product. Product packaging plays an important role in marketing mix, in promotion campaigns, as a pricing

criterion, in defining the character of new products, as a setter of trends and as an instrument to create brand identity and shelf impact in all product groups.

Packaging can also differentiate one brand of product from another brand. Because the product packaging can contain company names, logos and the colour scheme of the company, it helps consumers to identify the product as it sits among the competition's products on store shelves. The shopper may identify with the company brand, which propels them to buy the product. If the product packaging changes, it may alter the brand perception of the company, which doesn't mean that the consumer would not still purchase the product, but it may delay the purchase until the person is able to identify the product according to its new packaging. Customers are drawn more than anything, to products that look good. Something that is well designed and interesting is bound to attract more potential customers than a product that is poorly designed and looks bland. This is the importance of packaging design. Customers drawn to package are bound to remember it.

Thus the purpose of product packaging is to protect the product from damage. Product packaging not only protects the product during transit from the manufacturer to the retailer, but it also prevents damage while the product sits on retail shelves. Most products have some form of packaging. For example, soups must have a container and package while apples may have packaging for transport but not to sell the product from the produce department of the local grocery store. How a product is packaged may be what attracts the consumer to take a look on the product as it sits on store shelves. For this reason, many companies conduct extensive research on colour schemes, designs and types of product packaging that is the most appealing to its intended consumer. Packaging also plays an important role for portraying information about the product. Outside packaging may contain directions on how to use the product or make the product. Packaging may also contain ingredients and nutritional information about the product. This information can help to sell the product because it allows potential customers to obtain the necessary information they need to make a purchase decision. Information contained on a package may propel the reader to buy the product without ever having to speak to a store clerk. Therefore, Packaging which appeals to more than one sense attracts greater attention, intensifies perception and stimulates interest in buying. Packaging that can be felt, smelled and heard as well as looked at wins the customer's favour, which often means that he will be prepared to pay a higher cost for that product. Innovative packaging makes new products stand out over trusted, familiar ones. As a consumer, the very first form of advertising is definitely the packaging of a particular product. If it is

wrapped in a very interesting storage with attractive colours and pictures (and probably a clear product description) then the percentage of me purchasing it will automatically increased. Thus, manufacturers should really come up with not o give the consumer information about the product he/she is buying and what it will do for him/her.

10.10 INTRODUCTION TO LABELLING

Sellers must **Label** products. The label might carry only the brand name or a great deal of information. Labelling has social significance. Packaging, branding and labelling go together and constitute an integral part of product planning and development. The purpose of labelling is to give the consumer information about the product he is buying and what it will and will not do for him. Warranty is a stipulated collateral to the main purpose of contract. A Warranty is an obligation of the producer and the seller to stand behind the product and assure the buyer that he will derive certain services and satisfaction from the product. The product warranty must be clear, unambiguous and meaningful . It has become an important selling point and means of product differentiation in a competitive market. Warranties are also considered as promotional devices.

Sellers must label products. The label may be an elaborately designed graphic that is part of the package. The label might carry only the brand name or a great deal of information. Even if the seller prefers a simple label, the law may require additional information. Labels perform several functions such as:

- ◆ Identifies the product or brand
- ◆ Grade the product
- ◆ Describe the product- who made it, where it was made, when it was made, what it contains, how it is to be used and now to use it safely
- ◆ Promote the product through attractive graphics.

A good label is one which helps a potential buyer to make his decision by providing relevant and correct information. Apart from the information which must be statutorily given , the label should provide:

- Picture of the product, accurate as to size, colour, and appearance
- Description of raw materials used along with methods of processing.
- Directions for use, including cautions against misuse.
- Possible effects , if any.
- Brand name
- Dates of manufacture and expiry
- Statutory warning, if any

With product labelling, the key ethical issue is whether or not labels mislead the buying public. Proper labelling is particularly important in the food, pharmaceutical and cosmetic industries, as we literally consume these products or absorb them into our skin. Increasingly, food products are required to demonstrate their country of origin. Labels are used for various purposes in a modern world. They are used within and outside organizations. Labels are even useful for domestic purposes. These printed labels portray the identity of a company in a marketplace. They are used to label documents, products, mails and much more. The labels are also deployed for promotional purposes. Marketers deploy these labels for pure informative purposes like to give a description of a product.

Packaging and labelling are used for various products in retail and wholesale establishments. Packaging provides a convenient way for customers to lift and transport products. Labelling helps consumers identify a product. Without labels, for example, all fruit drinks on a shelf would look the same. Certain types of packaging and labelling also appeal to consumers. Customers may prefer a certain product brand because of the packaging and labelling. There are several key reasons packaging and labelling are important in marketing. Marketers must make sure they adhere to certain labelling laws for certain products. Besides food, there are labelling laws for electronics and textiles also.

10.11 SUMMARY

Labelling gives necessary information to the customers about the products. The customers can get knowledge about the quality and features of product without tasting the product. Label provides information about the price, quantity, quality etc. of the product, due to which the customers buy the product without doubt and hesitation. They compare the product with the same nature products of other firms on the basis of the information provided on the label. Label becomes helpful to sellers to sell out the product. It protects the customers from malpractices of the middlemen. Labelling is very important element affecting sales and distribution process of a product.

In marketing, the importance and necessity of labelling of a product can be mentioned as follows: **Labelling identifies the product** : Label helps to identify the product and brand. It popularizes the product and its brand name.. **Labelling grades the product**: Label helps to express grade of the product. For example, wheat can be expressed with the grades such as 1, 2, 3, 4. Label becomes useful to grade any product according to its quality. **Labelling describes the product**: Label gives introduction of the product, describes and expresses its grade. Information and instructions about- who manufactured the product, when and where it was manufactured, how many ingredients have been used

in it, how to use the product, how to keep the product safe, etc. are given on the label. This becomes helpful to the customers. **Labelling promotes the product:** Label helps to promote the product. Customers' attention is drawn by attractive and fascinating graphs, figures or marks. This motivates the customers to buy the product. Label plays an important role in sales and distribution as it makes the customers take buying decision. **Labelling protects the customers:** Label protects the customers. As maximum selling price, quantity, quality etc. are mentioned on the label, the customers are protected from the possible malpractice of middlemen.

10.12 SELF ASSESSMENT QUESTIONS

1. Why is branding important to consumers and to organisations?
2. 'Package is a silent salesman.' Why
3. What are the important brand strategy decisions? Give examples
4. Define labelling? Why labelling is done for products?

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UNIT – 11: PRODUCT LIFE CYCLE- NEW PRODUCT DEVELOPMENT- PRODUCT DIVERSIFICATION

STRUCTURE:

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Phases of Product Life Cycle (PLC)
- 11.3 Significance of PLC to Marketer and the Media
- 11.4 Strategies at different stages of PLC
- 11.5 Advantages of PLC
- 11.6 New Product Development - (NPD) Introduction
- 11.7 Definition-of New product development
- 11.8 Why New Products fail?
- 11.9 Stages of New Product Development
- 11.10 Advantages of Test Marketing
- 11.11 Disadvantages of Test Marketing
- 11.12 Buyers' Product Adoption Process
- 11.13 Diffusion Process
- 11.14 Product Diversification
- 11.15 Summary
- 11.16 Self Assessment Questions
- 11.17 References

11.0 OBJECTIVES

After studying this unit, you will be able to ;

- Define Product Life Cycle
- Discuss the major classification of product classes
- Explain the determinants of Product mix.

11.1 INTRODUCTION

Just as people go through infancy, childhood, adulthood and old age, so too do products and brands. And just as we swing from being needy, to being overall contributors to our families or to society, and then back to being needy again over the course of our lives, so – in effect – do products. Like human being, every product has its life. And this has been described as PLC. The PLC is generally termed as Industrial goods may have a longer life than consumer goods. When a product idea is commercialized, the product enters into the market and competes with the rivals for making sales and earning profits. PLC is generally termed as product –market life cycle because it is related to a particular market. A product may be old in one market and have a new life in another market. Rural and Urban market. PLC may be short for some products and long for some other products. The period may differ form product to product. Every product passes through certain stages known as PLC.

As consumers, we buy millions of products every year. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched. Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow. Sooner or later all products die and if management wishes to sustain its revenues , it must replace the declining products with the new ones. The concept of PLC is used as a forecasting tool. It can alert management that its product will inevitably face saturation and decline. Proper marketing strategy can also be evolved through different stages of life cycle.

After the product has been developed it is launched in the market with the help of promotional tools. Product development must be followed by successful introduction of the product in the market. For this planning for introduction starts during the process of product development itself. Every firm makes sales projection during the introduction , growth and maturity stage of the PLC. To achieve the projected sales target it formulates promotional, pricing and distribution policies. The concept of PLC helps integrated

marketing policies relating to product promotion, pricing, distribution. The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products. These stages are called as.

11.2 PHASES OF PLC: INTRODUCTION, GROWTH, MATURITY AND DECLINE

◆ **Introduction:** This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it's a competitive sector. In this stage, competition is almost or non-existent, prices are relatively high, markets are limited and the product innovation is not known much. Growth in sales volume is at a lower rate because of lack of knowledge on the part of consumers and difficulties in making the product available to the customers. During this stage, high expenditure has to be incurred on advertising and promotional techniques. Prices are usually high because of small scale of production, technological problems and heavy promotional expenditure

◆ **Growth Stage:** As the product grows in popularity, it moves into the growth stage of the PLC. In this stage, demand expands rapidly, prices fall, competition increases and distribution is greatly widened. The manager focuses his attention on improving the market share by deeper penetration into the existing markets and entry into new markets. Promotional expenses tend to increase. The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

◆ **Maturity stage :** During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage. As the product enters into maturity stage as competition intensifies further and market gets stabilized. Profits decline because of stiff competition and marketing expenditure increases. Prices are decreased because of competition and

innovation in technology. There is saturation in the market as there is no possibility of sales increase. This stage may last for a long period. But sooner or later, demand of the product starts declining as new products are introduced in the market. Product differentiation, identification of new segments and product improvement are emphasized.

◆ **Decline Stage:** Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets. This stage is characterized by either the product's gradual displacement by some new products or change in consumer buying behaviour. Sales fall sharply and the expenditure on promotion is cut. The decline may be rapid. To avoid decline, new features may be added, packaging may be improved, economy packs may be introduced, promotion of product should be selective to reduce distribution costs.

The idea of the product life cycle has been around for some time, and it is an important principle manufacturers need to understand in order to make a profit and stay in business. However, the key to successful manufacturing is not just understanding this life cycle, but also proactively managing products throughout their lifetime, applying the appropriate resources and sales and marketing strategies, depending on what stage products are at in the cycle.

11.3 SIGNIFICANCE OF PLC TO THE MARKETER AND THE MEDIA

PLC analysis, if done properly, can alert a company as to the health of the product in relation to the market it serves. PLC also forces a continuous scan of the market and allows the company to take corrective action faster. But the process is rarely easy. A company or product's life cycle has a significant impact on decisions related to the use of media. Business owners have to make different marketing decisions at every stage in a product's life, beginning with the need to generate awareness for new products and ending with the ability to maintain that awareness. When a new product is introduced, or a new company opens its doors, the business owner's challenge is to generate awareness for that product or service. In these very early stages of market introduction the use of traditional print and broadcast media is a proven way to create demand. Once a product has gained market awareness, advertisers begin creating product preferences among target customers. Establishing that preference over other available offerings requires telling

the product's story through various media. At this point, mass media use gives way to more targeted media, including social media, which allows more information to be shared.

Competing in a crowded market occurs during a product's mid-life stage. Marketers begin to rely on word-of-mouth generated not only through satisfied customers, but also through the public relations efforts of third-party endorsements. What advertisers say about their own products and services will always be viewed by consumers with a certain amount of scepticism. What they hear from others, including the media, has more impact at this stage in the product life cycle.

Once a product is established, the advertiser's challenge is to maintain that awareness. At this stage, mass media becomes important in maintaining a general level of awareness for the product. Mass media also raises awareness among new market entrants, and even established product marketers know that there are always opportunities to attract new customers. Products and services eventually reach a point of diminishing returns. When this happens, media use declines unless the marketer is able to introduce a brand extension or an entirely new product. Then the cycle begins again. At every stage in a product's life cycle, the marketer will be concerned about choices related to generating awareness, preference, demand and, ultimately, a purchase decision.

11.4 STRATEGIES AT DIFFERENT STAGES OF PLC

The Introduction stage is probably the most important stage in the PLC. In fact, most products that fail do so in the introduction stage. This is the stage in which the product is initially promoted. Public awareness is very important to the success of a product. If people don't know about the product they won't go out and buy it. There are two different strategies you can use to introduce your product to consumers. You can use either a penetration strategy or a skimming strategy. If a penetration strategy is used then prices are set very high initially and then gradually lowered over time. This is a good strategy to use if there are few competitors for your product. Profits are high with this strategy but there is also a great deal of risk. If people don't want to pay high prices you may lose out. The second pricing strategy is a skimming strategy. In this case you set your prices very low at the beginning and then gradually increase them. This is a good strategy to use if there are a lot of competitors who control a large portion of the market. Profits are not a concern under this strategy. The most important thing is to get your product known and worry about making money at a later time.

◆ **Growth:** If you are lucky enough to get your product out of the introduction stage you then enter this stage. The Growth stage is where your product starts to

grow. In this stage a very large amount of money is spent on advertising. You want to concentrate on telling the consumer how much better your product is than your competitors' products. There are several ways to advertise your product. You can use TV and radio commercials, magazine and newspaper ads, or you could get lucky and customers who have bought your product will give good word-of-mouth to their friends/family. If you are successful with your advertising strategy then you will see an increase in sales. Once your sales begin to increase your share of the market will stabilize. Once you get to this point you will probably not be able to take anymore of the market from your competitors.

◆ **Maturity:** If the product completes the Introduction and Growth stages then it will then spend a great deal of time in the Maturity stage. The key to surviving this stage is differentiating your product from the similar products offered by your competitors. Due to the fact that sales are beginning to stabilize you must make your product stand out among the rest.

◆ **Decline:** This is the stage in which sales of your product begin to fall. More innovative products have been created that replace yours. Many companies decide to withdraw their products from the market due to the downturn. The only way to increase sales during this period is to cut your costs reduce your spending. Very few products follow the same cycle. Many products don't even make it through all four stages. Some stages even bypass stages. For example, one product may go straight from the Introduction stage to the Maturity stage. This is the problem with the PLC. There is no set way for a product to go. Therefore, every product requires a great deal of research and close supervision throughout its life. Without proper research and supervision your product will probably never get out of the first stage. Many firms abandon the product in order to put the resources to better use.

11.5 ADVANTAGES OF PLC

When PLC is predictable, management should take precaution in taking advance

- Steps before decline by adopting product modification, pricing strategies, style, quality change.
- Firm can prepare an effective product plan by knowing PLC of a product
- Management can find new uses of the product for the expansion of the market during growth stage and for extending the maturity stage.
- Management can adopt latest technology changes to improve quality of product, features and design.

11.6 NEW PRODUCT DEVELOPMENT - INTRODUCTION

Development of new products is a continuous function of marketing management in the present day environment. The products offered by a firm to the customers must be suitable to meet the changing needs of the customers. The life of the firm is closely related to the development of new products through technological innovations. The technological innovations are important to the growth of established business as well as the development of new business. Businessmen must make a detailed study of the market in relation to the products. New products mean new profits. For instance, a ready-made garment dealer has to plant the garments to be in line with the changing fashions. Product failure wastes the money, material, energy and time spent on product development apart from defeating the objectives of the firm.

Once the product is planned and brought into market, it is likely to survive for a long period of time unless disturbed by environmental forces like changes in consumers' tastes, technological factors and competitors' policies. These forces provide an impetus to firms to continuously develop new streams of products which will substitute fading or outgoing products. It is not rare to find companies where new products are failing at an alarming rate as they involve huge costs and high levels of risk. Some of the probable causes for this failure are:

- ◆ wrong conception of the product idea;
- ◆ over estimation of the market size;
- ◆ a rightly conceived idea but wrongly designed priced and
- ◆ inadequate advertisement of the product.

These failures result in high product costs and these costs, if not commensurate with the generated revenues are likely to result in failure of the product. It is, therefore, necessary that marketing executives conduct a thorough market research and develop products which are able to withstand the vagaries of environment, satisfy the needs of consumers and help firms achieve their long-term objectives of growth. Firms can develop new products by:

- acquisition of patent rights and production of products through some one else's technology, or
- development of one's own R &D efforts to develop its products. This is practically referred to as product development.

11.7 DEFINITION OF NPD

Product development as an element of overall marketing strategy is defined as “the development of original products, product improvements, product modifications and new brands through firm’s own R& D efforts.”

Product development includes a number of decisions, namely, what to manufacture or buy, how to have its packaging, how to fix its price and how to sell it. In the case of a manufacturing organisation, the production department will develop and produce products on the advice of the marketing department because it is the marketing department which knows better the requirements of the customers. In case of purely trading organisations, the purchase department will procure those products as are suggested by the marketing department. The work of product planning and development will be performed by the marketing department itself. New product development consists of creation of new ideas, their evaluation in terms of sales potentials and profitability, production facilities, resources available, designing and production testing and marketing of the product. The main task of the product planners is to identify specific customer needs and expectations and align company’s capabilities with the changing market demands. In each of these stages, the management must decide as to whether to move on to the next stage or to abandon the product or to seek additional information.

Product planning and development is necessary for its survival and growth in the long-run. Every product has a life-cycle and it becomes obsolete after the completion of its life-cycle. Therefore, it is essential to develop new products and alter or improve the existing ones to meet the requirements of customers. One of the most common product planning problem relates to the addition of new products to the existing product line. Addition of new product involves generation of new product ideas, appraisal of various possibilities, economic analysis, product development, product testing, test marketing and developing markets. Another important problem of product planning is modification or elimination of existing products. The need for continuous modification of the product is great because society’s needs are always changing, and improved products must be introduced to fulfil them. All products have certain deficiencies as they are the result of a great many compromises. Research makes possible the reduction of these deficiencies and brings about improved products.

A new product can be:

- ◆ Continuous Innovation...No new buyer behavior to learn, i.e. -products not previously marketed by the firm, but by others

- ◆ Dynamic Continuous Innovation minor education needed for consumers to adopt product
- ◆ Discontinuous Innovation...entirely new consumption patterns

For a new product to succeed it must have desirable attributes, be unique, have its features communicated to the consumer Developing new products is expensive and risky. Failure not to introduce new products is also risky.

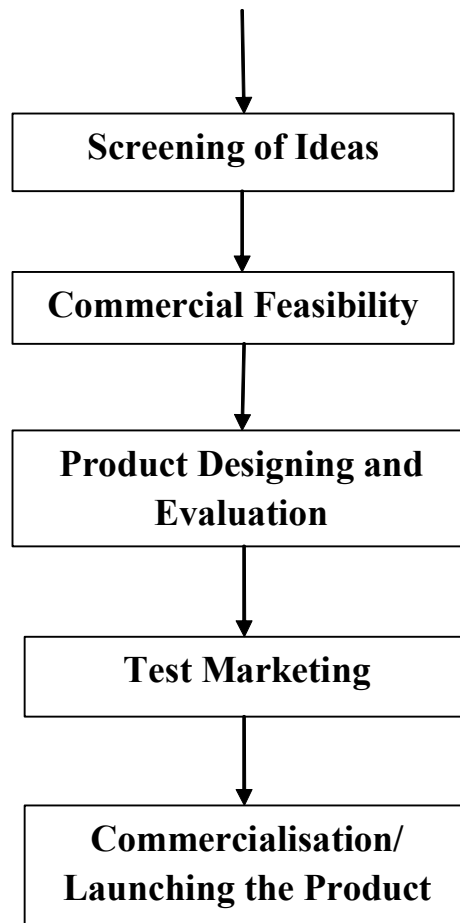
11.8 WHY NEW PRODUCTS FAIL ?

- Lack of differentiating advantage
- Poor marketing plan
- Poor timing
- Target market too small
- Poor product quality
- No access to market

11.9 STAGES OF NEW PRODUCT DEVELOPMENT

Product development does not just happen, **it** has to be planned. Dynamic firms plan their innovations for five to ten years in advance. They have a definite idea of exactly what product developments they want and what new products they will need to cater to the demands of their customers.

Stages in New Product Development



Only a few ideas are good enough to reach commercialization. Ideas can be generated by chance, or by systematic approach. Need a purposeful, focused effort to identify new ways to serve a market. New opportunities appear from the changes in the environment.

1. Generation of Product Ideas : The product planners must visualise new product ideas. Ideas may be contributed by professional designers, scientist, customers, sales force, dealers, competitors, etc. Ideas may also come from brainstorming sessions of management. It may be noted that the source of ideas is not so important as the firm's system for stimulating new ideas and then acknowledging them and reviewing them promptly. New product ideas may come from company's research and development department, managers, salespersons, consumers or industrial users, middlemen, company suppliers of raw materials, governmental agencies, company competitors and their products, trade associates, private research organisations, inventors, exhibits and trade fairs, wholesalers and retailers, advertising agencies, commercial laboratories and trade journals, etc. Consumers complaints or dissatisfaction can also be the source of new ideas. Consumers are said to be one of the best sources.

2. Screening of Ideas: The ideas generated at the first stage are examined to eliminate those which have no potential or which are capable of making any significant

contribution to the marketing objectives. The ideas should be screened properly because any idea passing this stage would cost the firm both money and time. This involves evaluating the company's capabilities with respect to scientific knowledge and technical skills in terms of possible new products and product improvements. The basic idea is to find out which ideas warrant further study. The screening should be rigorous enough to eliminate poor stuff, but not so rigorous as to eliminate potential good possibilities. The list of information required in evaluating new product possibilities should be drawn up in such a way as to throw some light on the profit possibilities, the risk and cost of capital involved.

3. Commercial Feasibility: The product planners evaluate the nature and importance of market needs and appraise the extent to which present products fulfil them. They evaluate new ideas in the light of the company's capability with respect to scientific knowledge, technological skills and financial resources. Only the most feasible and profitable ideas are picked – up for further detailed investigation. Marketing research is critical during this phase since it can reveal the changing behaviour of buyers, strategies of competitors and availability of new technological ideas.

4. Product Designing/ Development: This phase relates to actual development of the new product based on the product data evaluation system. A programme is made for the proper development of the product. First a precise description of the features of the proposed product should be studied. After, this selected consumers may be called upon to offer their comments on the proposed product. Decisions regarding branding, packaging, labelling, et., are also made during this phase. When the product takes a tangible form, consumer testing can be done. Consumer testing will provide the ground for final selection of the product for mass production and distribution.

5. Test Marketing: Test marketing is necessary to find out the viability of marketing programme for large-scale distribution. Before the product is widely distributed, it is tried in a selected market. Customers' reaction may be noted and product may be improved further, if necessary. Test marketing allows greater control over the new product. If there are defects in the product, it could be withdrawn from the market quickly without any loss to the reputation of the firm. Test marketing is generally done by consumer goods companies rather than by industrial goods firms who usually try out new products with selected customers or obtain general reactions by having their sales people demonstrate products when they make their rounds.

6. Commercialisation / Launching the Product: After the test marketing gives green signal for the introduction of product in the National market, the firm may proceed

to finalise all features of the product. The marketing department will launch a full fledged production promotion campaign for mass distribution. Distribution channels will be chosen to make available the product wherever it is demanded. After this, the life cycle of the product will start and the marketing manager will adopt different strategies during different stages of the product life cycle to maximise sales volume. Necessary improvement in the product may also be introduced as and when necessary in the light of changed customer requirements and innovations in technology. In launching a new product, the company must make four decisions:

When : The first decision is whether it is the right time to introduce the product.

Where: Secondly, the company must decide whether to launch the new product in a single locality, a region, several regions, national market or the international market. Normally, companies develop a market rollout over time.

To whom: Within the rollout markets the company must target its distribution and promotion to the best prospect groups, like early adopters, heavy users, opinion leaders and so on.

How: The company must develop an action plan for introducing the new product into the rollout markets. It must allocate the marketing budget among the marketing mix elements and sequence the various activities.

11.10 ADVANTAGES OF TEST MARKETING

- ◆ Lessens the risk of product failure.
- ◆ Reduces the risk of loss of credibility or undercutting a profitable product.
- ◆ Can determine the weaknesses in the MM and make adjustments.
- ◆ Can also vary parts of the MM during the test market.
- ◆ Need to select the appropriate MM and check the validity.

11.11 DISADVANTAGES OF TEST MARKETING

- Test market is expensive.
- Firm's competitors may interfere.
- Competitors may copy the product and rush it out.

11.12 BUYERS' PRODUCT ADOPTION PROCESS

This process involves the stages through which an individual consumer passes while arriving at a decision to try or not to try or to continue using a new product. It is assumed that the consumer moves through five stages in arriving at a decision to purchase or reject a new product.

- ◆ **Awareness** : The consumer is first exposed to the product innovation through print, audio-visual media or demonstration, and becomes aware of the existence of the new product.
- ◆ **Interest** : The consumer becomes interested in the product and searches for additional information and Buyers are receptive to learning about product.
- ◆ **Evaluation** : Buyers consider product benefits and determine whether to try it
- ◆ **Trial** : Buyers examine, test or try the product to determine usefulness relative to needs
- ◆ **Adoption**: Buyers purchase the product and can be expected to use it when the need for the general type of product arises.

Rate of adoption depends on consumer traits as well as the product and the firm's marketing efforts.

11.13 DIFFUSION PROCESS

The acceptance of new products and services by consumers is an important factor which determines their success or failure. The framework for exploring consumer acceptance of new product is drawn from the areas of research known as the diffusion of Innovations. The diffusion process is concerned with how innovations spread, i.e., how they are assimilated within a market. It is the process by which the acceptance of an innovation is spread by communication to members of a social system over a period of time. The manner in which different members of the target market often accept and purchase a product go through the adoption process.

- **Innovators**- 2.5 % of consumers : They are very eager to try new ideas and products, accept risks.
- **Early Adopters** : Tend to be opinion leaders. Adopt new products but use discretion, 13.5% Respectable opinion leaders, or role models. Consumers check with these persons before adopting a new idea.

- **Early Majority** : 34% of consumers, first part of the mass market to buy the product. These consumers take time to adopt new ideas. They deliberate for some time before adopting.
- **Late Majority**: Less cosmopolitan and responsive to change, 34% .They are sceptical people who take a long time before adopting. They adopt due to economic necessity or a react to peer pressures.
- **Laggards**: Price conscious, suspicious of change, 16%, do not adopt until the product has reached maturity. They are diehard traditionalists who are oriented to the past and suspicious of the new. They are the last people to adopt an innovation.

The adoption of some products and services may have minimal consequences whereas the adoption of the innovations may lead to major behavioural and lifestyle changes.

11.14 PRODUCT DIVERSIFICATION

Is the process of expanding business opportunities through additional market potential of an existing product. Diversification may be achieved by entering into additional markets and/or pricing strategies. Often the product may be improved, altered or changed, or new marketing activities are developed. The planning process includes market research, product adaptation analysis and legal review, or Process by which businesses attempt to expand their market reach and customer base by delivering products somewhat different than the ones for which they are known. These new products can simply be extensions of existing brands or they may be entirely new. By engaging in product diversification, a company can extend its business into new areas and markets, thereby increasing their opportunities for profit. There are some potential pitfalls to this strategy, including the possibility that a company might stretch itself too thin or that it might dilute its original brand with the existence of the new product lines.

Diversification, in any form, is essentially a way to manage risk. By removing all of the focus from one area and spreading it among many different areas, there is less reliance on any one area to produce. This strategy can be used by investors attempting to spread out their money and gain new areas of exposure. Companies that sell products to the public may also need diversification, especially if they can't sustain their businesses with just one product or approach. For that reason, product diversification is an often effective business strategy.

There are several ways in which a company may achieve product diversification. It doesn't necessarily have to be with a completely new product, although that is one way

to achieve diversity. A particular brand might be naturally extended. For example, a company that sells cola might decide to bring out a line of diet colas based on their original formula but with fewer calories than the original product. That is a prime example of what product diversification can do. It can expand the audience for a particular brand, and it can improve the overall bottom line of a company if done effectively. Ideally, the new products or brand extensions can act as a complement for the original brand, so that customers familiar with the original brand might also have use for the new choices.

It is important for business leaders to realize that there are some drawbacks associated with product diversification. Too much extension can eventually dilute the original brand and confuse the customers the company is attempting to reach. In a worst-case scenario, it may even dissuade customers from the original brand. Business familiar with making one type of product can also stumble if they are unfamiliar with base. Adding new products and service lines or starting new companies within a group can significantly enhance your ability to grow rapidly. However, it's important to pursue a strategy that is right for you and your company. Businesses diversify for a number of reasons. Perhaps the most basic of these is survival.

There are many ways in which to diversify. The most straightforward of these is to provide a natural extension of the goods or services that you already offer to customers. manufacturers can boost revenues by not only acting as suppliers but also providing follow-up services such as maintenance. This approach can be particularly useful when the economic cycle turns down. In hard times, customers don't necessarily have the inclination to invest in new machinery but they will spend on maintaining the equipment they've already got. Thus, a manufacturer that provides both goods and services can maintain a consistent revenue stream.

Diversification can also take the form of brand extension across an apparently unconnected range of products or companies. Many business owners expand by forming new companies that operate under different brand and/or trading names and sell unconnected products within a group structure. There are some advantages to this approach. Brand extension carries a certain degree of risk. With the right people, business plan and structure in place, diversification can serve to supercharge growth.

11.15 SUMMARY

The concept of product life cycle highlights that products die and that if management wishes to sustain its revenues, it must replace its declining products with the new ones. Development of the new product is a continuous function of marketing manage-

ment. The product offered by the firm to the customers must be suitable to meet the changing needs of the customers. Product development includes a number of decisions ie., what to manufacture, or buy, how to have its packaging, how to fix its price and how to sell it. One of the most common product planning problem relates to the addition of new products to the existing product line. The need of continuous modification of the product is great because society's needs are always changing, and improved products must be introduced to fulfil them.

11.16 SELF ASSESSMENT QUESTIONS

1. Explain the stages of the product life cycle.
2. Explain the strategies adopted during different stages of PLC.
3. State the advantages and disadvantages of test marketing.
4. Explain the stages in new product development process.
5. Explain the adoption process.
6. What is product diversification?

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UNIT -12 : PRICING DECISIONS- FACTORS AFFECTING PRICE DETERMINATION, PRICING METHODS AND TECHNIQUES , PRICING POLICIES AND STRATEGIES

STRUCTURE:

- 12.0 Objectives
- 12.1 Introduction
 - 12.1.1 Importance of Pricing
 - 12.1.2 Objectives of Pricing
- 12.2 Price Determination
- 12.3 Pricing Practices
 - 12.3.1 Full Cost Pricing
 - 12.3.2 Rate of Return Pricing
 - 12.3.3 Marginal Cost Pricing
 - 12.3.4 Acceptance Pricing
 - 12.3.5 Customary Pricing
 - 12.3.6 Intuitive Pricing
- 12.4 Pricing of Multiple Products
- 12.5 Dumping
- 12.6 Transfer Pricing
- 12.7 Market Penetrating Pricing
- 12.8 Discount Pricing
- 12.9 Product Line Pricing
- 12.10 Segmented Pricing
- 12.11 Psychological Pricing
- 12.12 Pricing Methods, Policies and Practices
- 12.13 Pricing of a New Product
- 12.14 Summary
- 12.15 Self Assessment Questions
- 12.16 References

12.0 OBJECTIVES

After studying this unit, you will be able to ;

- Define pricing
- Know the various pricing practices
- Explain pricing strategies adopted.

12.1 INTRODUCTION

Price is one of the crucial elements in the marketing mix. It is a powerful marketing tool which, in the hands of a skilful practitioner, can have an all-pervasive effect on the company's long-term success. Pricing policy has critical implications for profit. However, at the same time price often entails psychological and behavioural responses. These relate to the perceived quality and value for the product, thereby influencing how it can be positioned in the marketplace. Pricing decisions cannot be taken in isolation. They must always be taken in full harmony with firms' strategic environment and the realities of the marketplace. A price which meets the firm's strategic criteria but not the expectations of the market is wrong as the one that satisfies the customers but fails to meet the commercial needs of the firm.

Prices that a company will charge for its products depend upon the objectives that it wants to accomplish by selling its product. Customers are widespread over wide geographical locations and buy company's products in different quantities. This causes companies to develop pricing policies that will support the overall objectives of the firm. The primary objectives of the firm are long-run profit, growth, and survival. Pricing contributes to each one of these objectives. By affecting the sales volume and profit margins, it contributes to the company's long run profits. By contributing to the company's cash reserves, it helps in meeting its investment opportunities thereby allowing room for growth. Sound pricing strategies that help firms in meeting their goals and also providing customer satisfaction help in survival of the firms. A firm, at a given point time, can deal with diversified products catering to diversified group of consumers. It will, therefore, have to choose from a number of pricing policies keeping into consideration the fact that these policies should be consistent with the firm's overall marketing strategy.

An important element of marketing mix that generates revenue for the firm is pricing. Pricing deals with determining the price of the product at which it is transferred

from the seller to the buyer. Traditionally, price was considered as the most important factor that influenced the buyer's decision to buy the product. Today there are a host of non-price considerations such as brand image, advertising, packaging design, brand name, etc. Though non-price considerations largely affect the affluent market decisions, price factor continues to remain an important marketing tool that affects both , the seller and the buyer.

As a narrow concept, it is the amount of money charged by the seller for the product or service that is sold to buyers. Though sellers wish to charge a high price for products, buyers wish to pay a low price for the same. They both, thus arrive at a mutually acceptable price through negotiation and bargaining.

As a wider concept, price is not just the exchange value for the product transferred, it also reflects value for all the benefits that will accrue to the buyer on use of a given product or a service.

Marketer: A marketer takes into account both the factors, demand and costs, while pricing a product. While demand affects the upper limit of the prices, costs affect the lower limit. Pricing decisions, thus , falls within a range where marketers have the flexibility of determining different prices for the product.

12.1.1 Importance of Pricing :

The importance of pricing as stated by E. Raymond Corey: “ Price is a key element in an overall business strategy, and to make strategic pricing decisions one should know what objectives are being served”. Pricing decision serves to act as a catalyst for integrating the firm's product, promotion and channel decisions. It determines the quality of a product, the means of its promotion and the channel through which it will be transferred to consumers. It helps in recovering the costs of production, administration and distribution costs. Pricing decisions are flexible and can be easily changed according to market conditions, product variability, general economic conditions, government regulations etc. Pricing helps firms capture a bigger market share by gaining an edge over their competitors. Pricing policy of the firm depends on its objectives.. The objectives can be Survival of the firm, Rate of return on investment, Maximization of profits , Maximization of revenue, and Maximization of sales growth and other objectives like Public image and Social obligations..

12.1.2 Objectives of Pricing :

Prices that a company will charge for its products depends upon the objectives that it wants to accomplish by selling its product. The objectives of the pricing policy are as follows :

◆ **Survival of the firm:** To begin with, if firms are not able to earn huge profits, they will try to recover their variable costs and a part of fixed costs also to ensure their survival in the market. As a short-run objective, firms wish to survive in the market in the hope to achieve the long-run objectives of not only survival but also growth and prosperity. The objective of pricing is, thus, to keep the plant and machinery in operation so that firms continue to produce and sell products to satisfy market demands in the hope of getting a bigger share of the market in future.

◆ **Rate of Return on Investment(ROI)** – ROI is the amount of profit earned on capital invested by the firm. Profit, in turn, depends on sales volume and both profit and sales volume depend on price. Thus, ROI sets price at a level what will generate a target rate of return for the firms. Firms which invest in risky projects expect a higher ROI and, therefore, set a higher price for their products. Pricing through ROI provides consistency to the firm's pricing strategies.

◆ **Maximization of Profits:** Profits, being the difference between sales revenue and costs and sales revenue being the product of units sold and selling price per unit, the firms can maximize their profits by reducing their costs or increasing the selling price. Firms estimate the demand and costs associated with different prices and choose a price that will generate maximum revenue for them. Pricing that aims at maximizing firm's profits suffers from the following drawbacks:

- i. It ignores the concept of social responsibility and attempts to maximize firm's profits at the cost of social benefits.
- ii. It assumes that the firm has complete knowledge about its products demand and cost which is not practical.
- iii. It ignores the firm's long-run objective of wealth maximization and emphasizes on its short-run objectives of profit maximization.
- iv. It ignores the impact of other factors such as, government regulations, competitors pricing policies, etc.

◆ **Maximization of revenue:** Depending on the demand for their products, some firms wish to set prices that will maximize the revenue from sales. This is in anticipation of long-run growth and profits

◆ **Maximization of Sales Growth:** Rather than maximizing their revenue by charging higher prices for their products, some firms wish to maximize their sales growth by selling a large volume of products at a low per unit selling unit. Larger sales volume and consequently, sales value will spread uniformly over the number of units produced and

sold and result in low per unit cost of production. This will further result in an increase in the long-run profits of the firm . This policy is known as market penetration pricing.

◆ **Maximization of market share:** In consonance with the increase in the share of their revenue from sales, firms wish to set prices at a level where they are also able to capture a bigger share of the market. Firms can sacrifice short-run profits at the cost of a bigger market share in the hope to earn higher profits in later years.

◆ **Product quality leadership:** High prices can be indicative of high quality also. An advertisement which says ‘Pay more-Get more’ can create an impression in the minds of the consumers that a higher price is offering them higher benefits, Firms selling their products at higher prices will succeed in markets only if the quality assured is actually provided by them to consumers.

◆ **Other objectives:** Considerations such as public image and social obligations provide for setting prices where partial or full cost recovery be made but price is geared to meet consumer’s wants and desires more than providing maximum profits to the firm.

12.2 PRICE DETERMINATION

The optimal pricing and output decisions depend on the goals of the firms and the nature and degree of competition faced by the firms. Price theory is the keystone of economic theory. It is one of the main branches of the modern economic analysis. Pricing has always been treated as one of the central problems in a free enterprise or a mixed economy. The determination of price is an important function on the part of management in all business concerns and industrial units. Price affects profit position .Total revenue of the firm depends on the price per unit and the total units sold. The quantity sold goes on changing with variations in the price. Total cost depends on the quantity of output produced. Pricing plays a significant role in profit planning. Traditional economic theory maintained that it is only the buyers and sellers who determine the price of a product or a service. But in practice many other agencies participate and influence the pricing process. These include competitors and the government, Competitors influence the demand for the product. The demand gets divided among competitors and thus affects the market share. The government influences prices through taxes, subsidies and price controls. There are thus many factors which influence the price of a commodity. Pricing decision involves consideration of existing competition, company’s goal of maintaining quality and service and continuation of demand and profit. The problem of pricing centres round three types of decisions:

- i the basic price level decisions;
- ii price structure decision and
- iii price discount structure.

A good pricing policy should take care of the company objective, Marketing strategy, Allocation of responsibilities, Administration of price changes and Allowance for discounts and credit.

Company objectives- Pricing should help in achieving the pricing objectives whether they be maximization of profits or sales revenue or market share.

Marketing Strategy: Pricing should allow firms to compete in the market against its competitors and also other elements of the marketing mix.

Allocation of responsibilities: Pricing policy should allocate responsibilities about who should set the prices and how.

Administration of price changes: Pricing policy should not only aim at setting prices but also at establishing a system for administering price changes in the event of changing demand and other market conditions. Also, short-run pricing policies should be in line with the long-run policies.

Allowance for discount and credit: Pricing policy aims at generating revenue from customers as per the list price of the products. But most of the buyers focus on the net price, that is, list price less discount. Goods may also have to be sold on credit to attract customers. An effective pricing policy must, therefore, allow for provisions with respect to discounts and sale on credit.

Factors affecting price determination: Numerous factors affect the pricing and decisions of a firm. Such factors could be classified under two groups:

1. Internal Factors
2. External Factors

Internal factors are the forces which can be controlled by a firm to a certain extent such as company objectives, marketing mix, costs, etc. But external factors are the forces outside the firm over which a business has no control. They create difficulties in determining the price of a product

Internal Factors:

◆ **Objective of the Firm:** A firm may have various objectives and pricing contribute in achieving them. Firms may pursue a variety of objectives such as maximizing sales revenue, maximizing market share, maximizing customer delight, maintaining particular image, maintaining stable price etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

◆ **Role of Top Management :** It is the top management which generally has full authority over pricing . The marketing manager's role is to assist the top management in price determination and administer the pricing within policies laid down by top management. Pricing activities have such direct effect on sales volume and profit that the marketing manger cannot keep himself aloof from pricing policy making and strategy formulation.

◆ **Marketing- Mix:** Price in one of the important elements of the marketing mix and therefore, must be coordinated with the other elements ie., production , promotion and distribution. In some industries, a firm may use price reduction as a marketing technique; others may raise prices as a deliberate strategy to build a high –prestige product line. The effect will fail if the price change is not commensurate with the total marketing strategy that it supports.

◆ **Product Differentiation:** The price of the product depends upon the characteristics of the product. In order to attract the customers, different characteristics and benefits are added to the product , such as quality, size, colour, attractive package, alternative uses, etc. Generally customers pay more price for the product which is of the new style , design better package, etc.

◆ **Cost of the Product:** Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm should also try to decide what prices are realistic, considering current demand and competition in the market.

External Factors:

◆ **Demand:** The market demand for a product has a big impact on pricing . Since demand is affected by the prospective buyers, their capacity and willingness to pay, their preference etc are taken into account while fixing the price. A firm can determine the expected price in a few test-markets by trying different prices in different markets and comparing the results with a controlled market in which price is not altered. If the demand of the product is inelastic, high prices may be fixed. On the other hand, if demand is

elastic , the firm should not fix high prices, rather it should fix flexible prices than that of the competitors.

- ◆ **Competition:** Competition in the market is a crucial factor in price determination. The prevailing information about what price the competitors are charging for similar products and what possibilities lie ahead for raising or lowering prices, also affect pricing.
- ◆ **Buyers:** The nature and behavior of the consumers and users, for the purchase of a particular product do affect pricing, particularly if their number is large.
- ◆ **Suppliers:** The suppliers of raw materials and other inputs can have a significant effect on the price of a product.
- ◆ **Economic Conditions:** This is a very important factor in as much as prosperity or depression influences the demand to a very large extent. The inflationary or deflationary tendency also affects pricing. To meet shortages or rising pricing and decreased demands, several pricing decisions are available such as prices can be boosted to protect profit against rising costs; price protection systems can be linked with the price on delivery to current costs ; the emphasis can be shifted from sales volume to profit margin and cost reduction.
- ◆ **Government Regulations:** The regulatory pressures, anti-price rise and control measures effectively discourage companies from cornering too large a share of the market and controlling prices.

12.3 PRICING PRACTICES

Many pricing methods , based on different considerations are employed in practice. While fixing the price , the firm is guided by company objectives such as profit maximisation, sales maximization, growth maximization, establishing a favourable Image with the public and the government . While determining the price inter-departmental discussions within a company are necessary. For example the marketing department, has to discuss the question of capacity to produce with the production department before setting a price which creates demand. Capacity to produce depends upon the existing production capacity and availability of raw –materials at appropriate prices. While setting the price , a firm should consider both demand and cost factors. The relative importance of these factors in pricing depends upon the product in question and the market environment under which the firm operates. Some of the widely accepted methods of pricing:

12.3.1 Full-Cost Pricing :

This method of pricing is the simplest and the common method of determining the selling prices of products. It is also known as cost-plus pricing, margin pricing and mark-up pricing. A firm, under this method, computes the selling price of its product by adding certain percentage to the average total cost of the product. The objective here is to cover costs and to derive a pre-determined percentage of profit.

The percentages differ from firm to firm and from industry to industry and even from product to product in the same industry. Pricing of this type is based on full absorption costing plus a mark-up for profit. Firms use the following costs i.e., variable and Fixed production costs and variable and fixed selling and administrative costs. In addition to these costs, price includes a make-up that provides for profit.

12.3.2 Rate of Return Pricing:

Rate of return pricing is merely a refinement of the full-cost pricing. In this method, the producer considers a pre-determined target rate of return on capital invested. The company estimates future sales, future costs and arrives at a mark-up that will achieve a target return on the company's investment.

$$\% \text{ age of mark-up on cost} = \frac{\text{Capital employed} \times \text{Planned rate of return}}{\text{Total Annual Cost}}$$

Suppose the capital employed is rupees six million and total annual cost is rupees twelve million with a planned rate of return of 20%. The percentage of mark-up, is

$$= \frac{6 \times 20}{12} = 10\%$$

If the total cost per unit = Rs.50.00

10% mark-up = Rs. 5.00

the selling price would be Rs.55.00

12.3.3 Marginal Cost Pricing:

Marginal cost pricing implies that the price of a product should be determined on the basis of the marginal or variable costs. Fixed costs need not be considered in pricing. In this method of pricing, fixed costs are totally ignored and only variable costs are taken into account while determining the price. This is done on the assumption that fixed costs are caused by outlays which are historical and sunk. Their relevance to

pricing decision is limited as pricing decision requires planning the future. Under marginal cost pricing, the objective of the firm is to maximize its total contribution to fixed costs and profits. Marginal cost pricing is useful when demand conditions are slack. It helps in optimum allocation of resources and as such it is the most efficient and effective pricing technique. It enables the firm to face competition. That is the reason why export prices are based on marginal costs since international market is highly competitive. It is suitable for pricing over the life-cycle of a product. Each stage of the life-cycle has separate fixed cost and short-run marginal cost. Lastly, it is useful for multi-product and multi-process firms. Here absorption of fixed cost into product costs is difficult.

12.3. 4 Acceptance Pricing:

This method of pricing conforms with the system of price leadership. A firm initiates price changes and the other firms in the industry follow the pattern set by the leader. Other firms accept the leadership. The emphasis is on the market. Firms make necessary price adjustments to suit the general price structure in the industry. Hence this technique is known as acceptance pricing or going –rate pricing. Normally, industry, tries to determine the lowest price that the seller can afford to accept considering various alternatives. This technique of acceptance pricing is supported on the following grounds:

- ◆ It helps in avoiding cut-throat competition among the firms.
- ◆ It is a rational pricing method when costs are difficult to measure
- ◆ Acceptance pricing is less troublesome and less costly since exact calculation of costs and demand is not necessary.
- ◆ It is suitable to avoid price hazards in oligopoly market.

The firm should evaluate whether the new price should be accepted by (i) comparing the new price with the incremental cost of production; and by (ii) comparing the total cost and revenue situation. The firm accepting the price must think in terms of its long-run profitability. When firms in the industry accept one of the firms as leader and follow the same price policy, it is also called the Imitative Pricing. Imitation is the easy way of decision-making. In this situation the firm uses the market analysis of another firm and does not bother about demand and cost estimates. This is generally done in retail trade.

12.3.5 Customary Pricing :

Customary prices may be defined as those prices which more or less remain fixed having prevailed for a considerably long period of time. Only if there is a significant change in costs, the customary prices change. While changing the customary price, it is necessary to have a knowledge of the pricing policies and practices adopted by the competing firms. It is also important to know the reaction of the customer to change in price by bringing about the price change in a limited market segment.

12.3.6 Intuitive Pricing:

Intuitive pricing is basically a psychological approach to pricing. Prices under this method are based on the feel of the market. This method is highly subjective and its applicability differs from situation to situation. Prices under this method are determined on the basis of anticipated trends in costs and demand. Price constitutes a barrier to demand when it is too low as much as when it is too high. Above a particular price, the article is regarded as too expensive and below another price, as constituting a risk of not giving adequate value. From the point of view of consumers, prices are quantitative and unambiguous, whereas product quality, product image, customer service, promotion are qualitative. If the price is too low, consumers will tend to think that a product of inferior quality is being offered. Manufacturers run the risk of lowering prices too drastically when improvements in production or reduction in the cost would allow it. Very often under these circumstances, lower prices may be offered to the consumer by having the goods sold under a different brand name.

Charm Prices: are those prices which end with odd figures such as Rs.999 and have greater effect than even prices such as Rs.5 and Rs.10. In recent years charm pricing practices are in great use.

12.4 PRICING OF MULTIPLE PRODUCTS

Many firms produce more than one product. Even those firms producing specialized articles produce a commodity in multiple models, styles and sizes. Such products are substantially differentiated from each other. Firms producing TV sets, Radio sets, Scooters are examples of multiple products. Pricing in a multi-product firm has two important aspects. First, each product has a separate demand curve. Second, all products have only one inseparable marginal cost curve due to common organization by interchangeable production facilities for all the products. This results in average cost and marginal cost becoming inseparable and average revenue and marginal revenue remaining separate. A

multi-product firm tries to maximise its revenue in all its markets. Professor Eli W. Clemens of the University of Maryland has explained multi-product pricing by assuming that a firm has one product and the firm's plant is being operated at 60% or 70% of capacity. Marginal revenue and marginal cost for one product are equal. With its idle capacity of personnel, plan and organisation, the firm can think of expanding its production without anticipating much increase in marginal costs. The idle capacity can be used to produce second, third and fourth product.

A multi-product firm is shown to have four products L, M, N, and O in its line or production. The AR and MR curves are given in their segments. 'C' is the point of intersection between MC and MR. The equal marginal revenue line EMR is drawn parallel to X-axis through point 'C'. It equates MRs with MC. The output-level and price for each product is determined by the intersection points of EMR and MRs. OQ1, Q1Q2, Q2Q3 and Q3Q4 are the quantities for the four products L, M, N, and O respectively. Their respective prices are P1Q1, P2Q2, P3Q3 and P4Q4. These are the price-output combinations which maximizes total revenue from each product and they also maximise the overall revenue of the firm.

12.5 DUMPING

Dumping refers to selling in the foreign market at price below the home market price. According to some economists, dumping means selling in the foreign market at a price below the cost of production. If the foreign price is above the home market price, it is referred to as reverse dumping. Dumping may be sporadic, intermittent or long period. Sporadic dumping is resorted mostly to sell the excess stock that may arise occasionally. Intermittent dumping refers to the periodic sale abroad of goods at prices below the home market price. Intermittent dumping may be resorted to gain a foothold in the foreign market to combat a new competition in order to retain a long held position; to eliminate or discipline competitor. Long-period dumping may be resorted to facilitate the utilization of the full capacity of the plant continuously. Operation at full capacity lowers the average cost and increases profits in the home market. The foreign market price must at least recoup the marginal cost of the product and the home market price must be above the average cost. Dumping is generally condemned. Most nations take measures to combat dumping like imposing anti-dumping import duties.

12.6 TRANSFER PRICING

Transfer prices relate to the prices charged by different divisions of the same firm for commodities and services exchanged between them. This system of pricing has

become common in the modern industrial system consisting of multi-product –multi-process companies. Organisation of large firms on a divisional basis is found advantageous from efficiency and profitability point of view. All divisions in a firm are profit centers. Transfer pricing becomes more relevant in those firms where inter-profit-centre relationship system exists. Manager of each division of the firm tries to increase his profits for which he has to raise the price he charges to another division. This may result in increasing the profits of his division but in bringing down the company profits. In other words it refers to the determination of the price of the intermediate products sold by one semi-autonomous division of the same firm. It is essential in determining the optimal output of each division and of the firm as a whole, and in evaluating divisional performance and determining divisional rewards.

Market skimming pricing-Skimming pricing is like skimming cream from milk. Products which do not face competition in the market are sold at an artificially high price which is gradually reduced over a period of time. The firms following this policy earn greater profits per unit at the initial stages of the product entry in the market. These surpluses can be used for further expansion and growth of the firms. High prices avoid competition unless the competing firms bring in genuine quality products. This policy has the advantage of earning high profits in the initial years whereby company's costs can be recovered and used for promotional avenues till the time competitors enter the market. The policy also has the disadvantage of attracting competition as high profit margins will induce the competitors to introduce similar products.

This policy is suitable in the following cases :

- ◆ The products must be of high quality which correspond to their high prices.
- ◆ Products are patented and, therefore, there exist barriers to entry in the trade.
- ◆ The cost of production is low so as to offer higher profit margins to the sellers.
- ◆ Product features provide value satisfaction to consumers.
- ◆ Potential competitors are weak in introducing a similar product in the market in the near future.
- ◆ Product demand is inelastic. Consumers are ready to pay a high price for the products.
- ◆ Price sensitivity is uncertain. High prices can be subsequently reduced but low prices cannot easily be increased later on.

12.7 MARKET PENETRATING PRICING

As against charging high prices at the introductory stage of the product, the penetrating policy aims at capturing a bigger share of the market by charging low prices of the product. The firms penetrate deep into the market, sell their products at low price to attract a large number of customers, make large volumes of sales and work at a low profit margin. High volume of sales will result in low per unit cost of products and also offer the firms economies of scale. This will give the firms cost advantage over their competitors and a promising long-run profit and growth. This pricing policy is suitable in the following cases :

Products must be price sensitive so that low price can result in sales.

- An opportunity to enjoy economies of scale must exist, that is, larger should result in low cost of production and distribution.
- Firms are prepared to sacrifice their short-run profits in the hope to capture a major share of market.. Initially, firms might not even be able to recover their starting up costs.
- Low prices should result in keeping the competitors away from the market. If not so done, entry of competitors will vitiate the very purpose of the pricing policy.

12.8 DISCOUNT PRICING

It refers to selling at a price less than the list price to deal with different classes of customers, (ii) prompt them to make early payments,(iii)courage them to buy in large volumes, and (iv) encourage off season buying. Deductions from the list price is called as discount. Following are the different types of discounts offered by the firms:

- ◆ **Cash discount** - It is offered to customers for prompt payment of their bills. It increases sellers' liquidity and reduces the possibility of bad debts.
- ◆ **Quantity discount** - It is offered to customers who place bulk orders with sellers. For example, sellers can sell a product at Rs. 15 per unit if units up to 100 in number are bought and Rs. 13.50 if units more than 100 in number are bought. It therefore gives incentive to buy large number of units from one seller rather than buying from multiple sources.
- ◆ **Seasonal Discount**-To maintain smooth level of production and sales throughout the year, sellers offer seasonal or off-season discount to sell their goods during off-peak season. Discount on sale of woollens during summer is an example of seasonal discount.

- ◆ **Trade discount** – It refers to discount offered by manufacturer to channel members (whole salers , retailers etc.) for smoothly carrying out the sales activities and providing the important functions of selling, storing and record keeping.

12.9 PRODUCT LINE PRICING

When sellers sell different varieties of the same product, they resort to a pricing policy referred to as product line pricing. This policy is adopted when different varieties of products have different features with respect to their cost, speed, size, design, customer valuation, competitors' prices etc.

Optional-product pricing - This pricing policy is offered by companies which offer optional products along with the main product. A music system., for example , will sell audio cassettes or CDs with it. The firms have to price these accessories in a manner that will attract customers to buy the main product. The price of the CDs , if listed below the market price, will induce buyers to buy the same along with the CD player rather than buying them separately from the same of a different seller.

Keep-out pricing - It aims at selling products at a price that will keep competitors out of the market. It may even amount to selling below the cost, that is, loss. This policy therefore, suitable for big business firms which can offset this loss against profits from sale of other products.

Follow the leader pricing- This pricing policy is normally followed in oligopolistic market situations which is characterized by a few sellers. Small seller quickly responds to big firms' marketing and pricing strategies. A price cut by a big seller is followed by other also but a price rise is not followed by them. Big firms may lose the market by a rise but cannot attract more customers through a price cut. Since small firms charge the same price as big ones do, this is called as "follow the leader" pricing policy.

By-product pricing - Processing of iron, petroleum and chemical products in by-products which are of no use to the seller of the main product. He may, therefore, either dispose them off as scrap and adjust the scrap value in the cost of the main product thereby reducing the overall cost and price of that product or sell it to consumers at a price that the consumers value it at. The scrap value or the selling price should be more than the cost of storing the by-products, otherwise it will be reflected in the selling price of the main product.

12.10 SEGMENTED PRICING

It refers to selling the products at different prices where difference in prices is not commensurate with the difference in costs. Perhaps, difference in prices is more than the difference in their costs resulting in additional profits for the firms. Segmented pricing can take different forms such as :

- **Customer segmentation** - Same products are sold to different customers at different prices. A doctor, for example, may sell his services to affluent clients at a price higher than that charged from poorer sections of society.
- **Product-form segmentation** - A product is brought out in different versions and sold at different prices where price difference is more than the cost difference. Example Sale of Maruti Zen,
- **Location segmentation** - Products sold at different locations are priced differently. This is because of difference in the buying capacity of buyers at different locations. A product which sells for Rs. 500 in a big showroom may sell for Rs. 400 in a small retail outlet.
- **Time segmentation** - The same product sells at different prices during different times of the year. An air conditioner that sells for Rs. 25,000 during summer season may sell for Rs. 24,000 during winter season. This form of segmented pricing supports the discount pricing where off-season discounts are offered to keep the production line going.

12.11 PSYCHOLOGICAL PRICING

Price carries a psychological feeling about the quality of the product in the buyer's mind. High prices generally symbolise high quality and therefore, even if the goods worth Rs. 300 are sold for Rs. 500, consumers will readily purchase them provided they are sold at an established and reputed showroom. Some sellers believe in pricing that ends at an odd number, for example Rs. 499 instead . 500. Though the difference is only Re. 1, psychologically, buyers fell that they are paying 400s and not 500s.

Promotional pricing - To promote the sale of products, sellers sometimes sell their products at a price below their cost price in the hope that loss on sale of one product can be made up against profit on sale of another product. This is done to attract consumers for the loss –making product so that it proves to be successful in the long-run.

12.12 PRICING METHODS, POLICIES AND PRACTICES

In setting the price for products, the manufacturers consider primarily the profit. Each producer has his aim of profit maximisation. Usually, the pricing policy is based on the goal of obtaining a reasonable profit. Most of the businessmen want to hold the price at constant level. They do not desire frequent fluctuations. The price rigidity is the practice of many producers. Rigidity does not mean inflexibility. It means that prices are stable over a given period, say a year.

There are four important methods of pricing: (i) Cost-plus or full cost pricing, (ii) Pricing for a of return, (iii) Marginal cost pricing, (iv) Administered pricing and (v) Going-rate policy.

Full Cost Pricing: Cost -plus or full cost pricing is a method commonly adopted by the businessmen to fix a price of the product. He calculates the cost of production per unit and adds a margin of profit to it. In other words, the producer adds a certain percentage of profit which he considers as fair to his cost in order to arrive at a price which is acceptable to the consumers. This procedure is known as cost-plus pricing.

Cost-plus pricing means the addition of a certain percentage of profit to the cost of production to arrive at a price. For example, the cost of production of a product is Rs.10. If the management decides to have a mark of 100 per cent, then Rs.10 is the addition to the cost. Hence, the price is Rs.20 per unit of the product. Here two elements make up the price: one is the average cost per unit and the other is the mark-up (profit). These two components are found in the cost-plus pricing.

Despite a few limitations, this method is very popular among many producers in India, the publishing Industry uses cost-plus pricing in fixing the prices of various publications. Cost of production is first assessed and a certain percentage of profit is added and the selling price is fixed. This percentage is called **mark up**. Sometimes pricing of the product by this method may result in making the price to be prohibitive. When such a firm has to face competition it finds it very difficult to sell its product in the market. In such cases, it has to abandon the cost- plus pricing and bring the price to the level of the rivals. In order to do so, it has to reduce some costs. This means that cost-plus pricing will have to be modified suitably.

In India, cost-plus pricing methods is extensively used. It is because of two specific advantages. Firstly, presence of seller's market in India, makes it possible to pass on the additional costs to the buyers. Secondly, this is easy and has approval of the government in fixing the prices of the product of all public sector industries.

Rate of Return Pricing: The cost-plus pricing method has led to a controversy with regard to fair rate of return. Some businessmen argue that the decent percent of return on investment is fair, but some others do not accept this conclusion. Under this method, the price is determined by the planned rate of return on investment which is expected to be converted into a percentage of the mark up. The profit margin is determined on the basis of the rate of production and the total cost of a year's normal production. Then, the capital turnover is computed by taking the ratio of invested capital to the annual standard cost. Then the mark up percentage of profit is obtained by multiplying capital turnover by the goal rate of return. Let us take the following example: say, the capital turnover is Rs.0.9 lakh. The desired rate of return is 27 per cent. Now – % mark up = Capital turnover x desired rate of return

$$\cdot = 0.9 \times 27 = 24 \text{ per cent}$$

Now, 24 per cent is the mark up. Or it may also be found out by this method:

While defining the rate of return, it is held that it should cut across business cycles and should be determined on the basis of standards of reasonableness. This method is essentially the cost-plus pricing method but an improved one. Since it builds price on cost which is standardised, it develops a profit mark up related to a rate of return.

Marginal Cost Pricing: Under cost-plus pricing and rate of return pricing, the prices of products are determined on the basis of total costs, (variable + fixed costs). Under marginal cost pricing, fixed costs are ignored and pricing is determined on the basis of marginal costs. Marginal cost means cost of producing additional units of the product. The firm uses only those costs which are directly attributable to the output of the specific period. The price so determined must cover the marginal cost and the total cost will have to be covered in the long run. Price based on marginal costs will be much more aggressive than the one based on total costs. Further, when a firm has a large unused capacity, it should explore the possibility of producing and selling more - it should cover marginal cost. The real difficulty is to know the marginal cost.

Advantages of Marginal Cost Pricing : Under marginal cost pricing, prices are never rendered uncompetitive merely because of higher fixed overhead costs. If the variable costs are higher, the prices also will be higher, but they can be controlled in the short period and thus make the price competitive. Marginal costs reflect more accurately the future as distinct from the present cost structure. Marginal cost pricing permits a producer to resort to aggressive price policy than **is possible** under full cost pricing. An aggressive pricing would lead to higher sales and by increased marginal physi-

cal productivity and lower input factor prices, marginal cost can be reduced.. Marginal cost pricing is very much useful over the life cycle of a product.

Marginal cost pricing is more effective than full cost pricing because it helps in solving short run problems. That is, under the conditions of change, marginal cost is the most suitable method of short-run pricing. In the short-run pricing, only marginal costs are covered and fixed costs completely ignored.

The only difficulty in marginal cost pricing is ignorance of the marginal cost technique. In a period of business recession, the firms using marginal cost pricing can overcome the recession by lowering the prices and thereby allowing the sales to increase. With the existence of idle capacity and the pressure of fixed costs, firms successfully cut down prices to a point equivalent to marginal cost and earn a fair rate of return in the period of crisis.

Going Rate Pricing : The going rate pricing is opposite of full cost or cost-plus pricing. The going rate means, adjusting its own price policy to the general price structure in the industry, adopted where it is difficult to measure the costs. Though the firm has complete freedom to fix its own price, it will not do so, but instead, it tries to adjust its own price policy with the price prevailing in the market. The going rate pricing is adopted when the price leadership is very well established. When firms want to avoid the tension of price rivalry in the market, they adopt the going rate pricing. This is very easy and there is no need for a firm to take the trouble of calculating costs and demand.

Some guidelines for price fixation have been given by Bates and Parkinson are: .

- It is necessary to know the costs incurred in relation to output and also to distinguish between prime costs and overhead costs.
- In the beginning, prices should cover prime costs and later on the price should cover the entire costs.
- The firms must know the prices of the products sold by other firms. The costs incurred must be comparable to the costs of the other firms for the same amount of output.
- If the demand for the product of a firm is sluggish, then it will have to reduce the price a bit in order to improve its position.
- If the costs of raw-materials and labour rise, the firm is compelled to increase the price.

- If the costs are rising and the sales are sluggish, then the firm must be able to refrain from raising the price.
- The capacity of the plant must be used to the optimum extent. Production should be concentrated on those products whose demand is high.
- The firm by improving sales campaign , must build the image of the firm.
- If the price set by the firm are bringing good profit, then the firm should resort to expansion of production.
- Prices should not go against the public interest.
- If the company is making high profits by selling at a price, the rivals are sure to enter into the industry and compete with the profits.

12.13 PRICING OF A NEW PRODUCT

If the new product is with high distinctiveness among the existing products, then the fixation of the price should be based on the demand, the market target and the promotional strategy.

In the case of pioneer products, the estimation of their demand is very difficult. The estimate of demand for such products should be studied in the following manner:

- ◆ Whether the new product is accepted by the consumers.
- ◆ At what price it is acceptable.
- ◆ If three or four prices are fixed, what would be the volume of sales at each price and
- ◆ What would be the reaction of the manufacturers of the substitutes.

Product Acceptability

It is based on the willingness of the consumers to buy the product. The willingness to buy depends upon a factor that is whether it would meet their requirements. If it does not meet the needs and requirements of the consumers, the product should be improved to serve the purpose. Supposing the new product is a strategic alternative, then it should be found out* consumers would buy the new one in place of the old one.

Price Discrimination means offering different prices to different customers. Price Discrimination only works if the Firm has Market Power if the firm can distinguish between customers and the firm can prevent resale.

First Degree Price Discrimination is also called Perfect Price Discrimination. The Firm charges each customer exactly what they are willing to pay i.e. the Firm prices

according to the demand curve. Marginal Revenue is the Price, therefore $P=MC$ is the optimum. The Firm captures the entire surplus

In practice it is nearly impossible. Auctions attempt to approximate this situation.

Second Degree Price Discrimination also called Quantity Discrimination. The Firm offers bulk discounts to customers who buy large quantities. This works if a firm cannot distinguish between customers; instead offer 1 at P_1 or 2 or more at P_2 each and customers will sort themselves depending on their individual demands.

Third Degree Price Discrimination also called Multi-Market Price Discrimination. The Firm charges different prices in different markets. All people in the same market pay the same price. The market could be geographically or demographically defined for eg. Ex. Student or Senior Discounts

Two-Part Tariff :The Firm charges a price per use as well as a membership/entrance fee. The Price should be set at $P = MC$ to maximize consumer surplus. The membership or entrance fee can then be set to capture all the consumer surplus.

Bundle Pricing 1 : The Firm sells two items as a bundle. Bundling works if consumers value the goods differently.

Pricing Strategies: Every firm has to take pricing decisions from time to time depending upon its pricing policies and conditions prevailing in the market. As an element of the marketing –mix, pricing strategies should be directed towards the accomplishment of specific marketing objectives which lead to overall organisational objectives. Pricing is not an end in itself, but a means to achieve certain objectives of the marketing department of a firm. Some of the important pricing strategies are as follows: **Pricing at prevailing prices:** This strategy is followed to stay in the market because a price above the market price would sharply bring down sales while a lower price would not significantly increase sales. **Penetrating Pricing, One price versus Variable Price Policy:** here the seller charges the same price to similar types of customers who purchase similar quantities of the product under essentially the same term of sale. **Price Lining:** is used extensively by the retailers. The retailers usually offer a good, better and best assortment of merchandise at different price levels **Psychological Pricing, Leader Pricing, Follow the leader Pricing, Discriminatory or Dual Pricing, Resale Price Maintenance, Value for Money and Premium Pricing** are some of the strategies companies follow to get their merchandise into the hands of the customers.

12.14 SUMMARY

One of the most important decisions made by managers is setting the price of the firm's product. If price is set too high, the firm will be unable to compete with other suppliers. But if the price is too low, the firm may not be able to earn a normal rate of profit. Manager must tailor their decisions to the specific market environment in which their firm operate. Decision making environment depends on the structure of the market, naturally it follows that no single theory of the firm can adequately describe all of the conditions in which firms operate. The ability of an individual firm to affect the price and total amount of a product supplied to a market is related to the number of firms providing that product. If there are numerous sellers of nearly equal size, the influence of any one firm is likely to be small. In contrast, in a market consisting of only a few sellers, an individual firm can have considerable impact on price and total supply. The size distribution of the firms is also an important characteristic of market structure. When the market includes a dominant firm or a few large firms that provide a substantial proportion of total supply, those large businesses may be able to exert considerable influence over price and product attributes. For example Microsoft computers.

12.15 SELF ASSESSMENT QUESTIONS

1. What are the objectives of pricing ?
2. Discuss the importance of pricing policy.
3. How is the price for the new product determined?
4. Explain the factors affecting price determination.
5. Distinguish between market skimming and market penetration pricing policy
6. Explain Full cost pricing and Marginal Cost pricing.

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UNIT –13 : DISTRIBUTION AND PROMOTIONAL STRATEGIES

Structure:

- 13.0 Objectives
- 13.1 Introduction: Concept of Distribution
- 13.2 The nature of marketing channels
 - 13.2.1 Marketing channel concepts
 - 13.2.2 Marketing channel create utility
 - 13.2.3 Marketing channels facilitate exchange efficiencies
 - 13.2.4 Marketing channels for supply chain
- 13.3 Functions of distribution channels
 - 13.3.1 Product availability
 - 13.3.2 Meeting customers service requirements
 - 13.3.3 Promotional effort
 - 13.3.4 Market information
 - 13.3.5 Cost effectiveness
 - 13.3.6 Flexibility
- 13.4 Types of distribution channel
 - 13.4.1 Producer - Customer
 - 13.4.2 Producer – Retailer- Customer
 - 13.4.3 Producer- Wholesaler- Retailer- Customer
 - 13.4.4 Producer- Agent – Wholesaler- Retailer- Customer
- 13.5 Distribution Channel Intermediaries
- 13.6 Channel management Decision
- 13.7 Summary
- 13.8 Self Assessment Questions
- 13.9 References

13.0 OBJECTIVES

After studying this unit, you will be able to ;

- Explain the meaning of channels of distribution
- Identify different channels of distribution
- Describe the functions of wholesalers and retailers
- Distinguish between wholesalers and retailers

13.1 INTRODUCTION CONCEPT OF DISTRIBUTION

Distribution intensity can be referred to in terms of the number of retail stores carrying a product in a geographical location. In intensive distribution, the manufacturer distributes the products through the maximum number of outlets. In exclusive distribution, the number of distribution channels will be very limited. In selected distribution, the number of retail outlets in a location will be greater than in the case of exclusive distribution and fewer than in the case of intensive distribution. Distribution management is of strategic importance to any organization as distribution plays a crucial role in the success of the product in the market. Distribution management also helps to maximize profits.

In managing the distribution channels, maintaining a mutually beneficial relationship between the manufacturer and distributor is necessary. International distribution is gaining importance with the increase in the number of multinational companies (MNC). There are certain factors to be considered in international distribution. The distributors should be chosen carefully with a long-term focus. It is better to build a long-term relationship with the local distributors. They should be provided with all the necessary support in expanding their operations. The marketing strategy for the product should be controlled solely by the MNC. Information plays an important role in distribution and the MNC has to ensure that the local distributors provide them with the required information which will help them to increase sales and expand their business.

13.2 THE NATURE OF MARKETING CHANNELS

13.2.1: Marketing Channel Concepts:

A marketing channel (also called a channel of distribution) is a group of individuals and organizations that directs the flow of products from producers to customers. The

major role of marketing channels is to make products available at the right time at the right place in the right quantities. Some marketing channels are direct—from producer straight to customer—but most channels have marketing intermediaries that link producers to other intermediaries (wholesalers & retailers) or to ultimate consumers through contractual arrangements or through the purchase and reselling of products. Wholesalers buy and resell products to other wholesalers, to retailers, and to industrial customers. Retailers purchase products and resell them to ultimate consumers.

Although distribution decisions need not precede other marketing decisions, they are a powerful influence on the rest of the marketing mix. Channel decisions are critical because they determine a product's market presence and buyers' accessibility to the product. Channel decisions have additional strategic significance because they entail long-term commitments. It is usually easier to change prices or promotional efforts than to change marketing channels.

13.2.2: Marketing Channels Create Utility

Marketing channels create three types of utility: time, place, and possession.

1. Time utility—created by having products available when the customer wants them.
2. Place utility—created by making products available in locations where customers wish to purchase them.
3. Possession utility—means the customer has access to the product to use or to store for future use

Channel members sometimes create form utility by assembling, preparing, or otherwise refining the product to suit individual customer needs.

13.2.3: Marketing Channels Facilitate Exchange Efficiencies

1. Marketing intermediaries can reduce the costs of exchanges by efficiently performing certain services or functions. Intermediaries provide valuable assistance because of their access to, and control over, important resources used in the proper functioning of marketing channels.

2. Despite these efficiencies, the press, consumers, public officials, and other marketers freely criticize intermediaries, especially wholesalers.

- a) Critics accuse wholesalers of being inefficient and parasitic.
- b) Buyers often wish to make the distribution channel as short as possible, assuming that the fewer the intermediaries, the lower the price will be.

c) Because suggestions to eliminate them come from both ends of the marketing channel, whole salers must be careful to perform only those marketing activities that are truly desired.

3. Critics who suggest that eliminating wholesalers would lower customer prices do not recognize that this would not eliminate the need for services that wholesalers provide. Although wholesalers can be eliminated, the functions they perform cannot.

13.2.4: Marketing Channels For Supply Chain

An important function of the marketing channel is the joint effort of all channel members to create a supply chain, a total distribution system that serves customers and creates a competitive advantage.

1. *Supply chain management* refers to long-term partnerships among marketing channel members working together to reduce inefficiencies, costs, and redundancies in the entire marketing channel and to develop innovative approaches, in order to satisfy customers.

a) Supply chain management involves manufacturing, research, sales, advertising, shipping and, most of all, cooperation and understanding of tradeoffs throughout the whole channel to achieve the optimal level of efficiency and service.

b) Whereas traditional marketing channels tend to focus on producers, wholesalers, retailers, and customers, the supply chain is a broader concept that includes facilitating agencies, such as shipping companies, communication companies, and other organizations that take part in marketing exchanges.

2. Supply chain management helps firms realize optimum the supply chain costs through partnerships & thereby improve all members' profits.

3. Supply chain ends with the customer and require the cooperation of channel members to satisfy customer requirements.

4. Technology has dramatically improved the capability of supply chain management on a global basis.

5. Supply chain management should not be considered just as a new buzzword. Reducing inventory and transportation costs, speeding order cycle times, cutting administrative and handling costs, and improving customer service—these improvements provide rewards for “all” channel members.

13.3 FUNCTIONS OF DISTRIBUTION CHANNELS

A distribution channel - set of independent organizations involved in the process of making a product or service available to the consumer or business user ensures:

13.3.1:Product availability:

- ◆ The most important objective for a channel.
- ◆ Attain the desired level of coverage in terms of appropriate retail outlets.
- ◆ The item's positioning within the store.

13.3.2:Meeting customers' service requirements:

- Crucial objective of businesses attempting to differentiate themselves on service dimensions.
- Some of the service requirements include:
 - Order cycle time
 - Dependability
 - Communication between buyer and seller
 - Convenience
 - Post-sale services

13.3.3:Promotional effort

- ◆ Obtain promotional support from channel members for the firm's product.

13.3.4:Market information

- ◆ Middlemen are often relied on for fast and accurate feedback.
- ◆ A high level of channel feedback is particularly important for firms in highly competitive industries.
- ◆ Feedback is crucial for prospectors.

13.3.5:Cost-effectiveness

- Important to businesses pursuing low-cost analyzer or defender strategies.

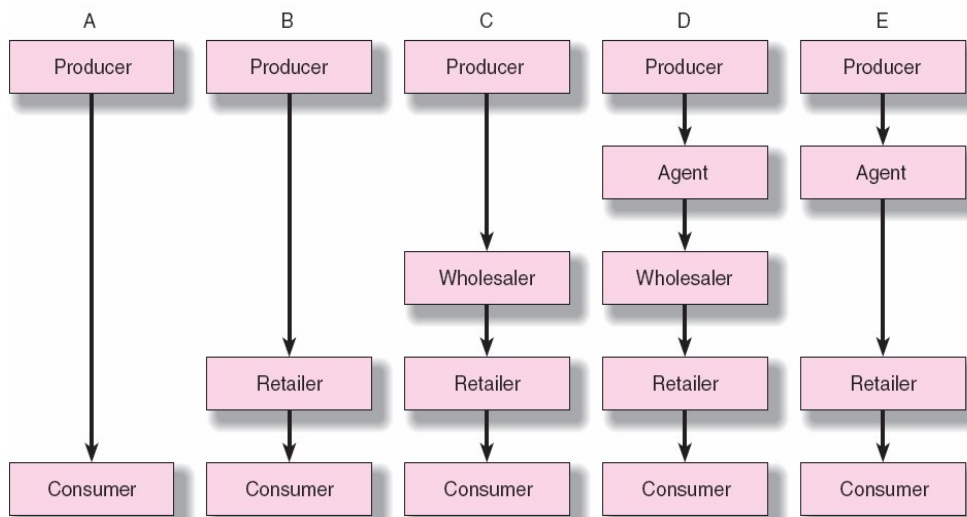
13.3.6:Flexibility

- Firms pursuing prospector strategies in new or rapidly growing or technically turbulent product categories, consider this important.
- A flexible channel is one where it is relatively easy to switch channel structures or add new types of middlemen.

13.4 TYPES OF DISTRIBUTION CHANNEL

13.4.1: *Producer-Customer:*

This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers. It is fast and economical channel of distribution. Here, the producer or entrepreneur performs all the marketing activities himself and has full control over distribution. A producer may sell directly to consumers through door-to-door selling, direct mail or through his own retail stores. Big firms adopt this channel to cut distribution costs and to sell industrial products of high value. Small producers and producers of perishable commodities also sell directly to local consumers



13.4.2: *Producer-Retailer-Customer:*

This channel of distribution involves only one middle-man called ‘retailer’. Under it, the producer sells his product to big retailer (or retailers who buy goods in large quantities) who in turn sell to the ultimate consumers. This channel relieves the manufacturer from burden of selling the goods himself and at the same time gives him control over the process of distribution. This is often suited for distribution of consumer durables and products of high value.

13.4.3: *Producer-Wholesaler-Retailer-Customer:*

This is the most common and traditional channel of distribution. Under it, two middlemen i.e. wholesalers and retailers are involved. Here, the producer sells his product to wholesalers, who in turn sell it to retailers. And retailers finally sell the product to the ultimate consumers. This channel is suitable for the producers having limited finance,

narrow product line and who need expert services and promotional support of wholesalers. This is mostly used for the products with widely scattered market.

13.4.4: Producer-Agent-Wholesaler-Retailer-Customer:

This is the longest channel of distribution in which three middlemen are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his entire output to the selling agents. The agents distribute the product among a few wholesalers. Each wholesaler distributes the product among a number of retailers who finally sell it to the ultimate consumers. This channel is suitable for wider distribution of various industrial products.

Case: Marketing Small Ruminants in Indonesia

The village collector is a key figure in the marketing system since 50% of the animals are handled by him. He usually lives in the locality and provides several services vital to the effective operation of the marketing system. He bears at least part, and often all, of the risks inherent in trading by taking legal title to the animals. If an animal cannot be sold on a particular day or has to be sold at a low price then these costs are borne by the village collector. He also helps finance trade by paying the farmer 50% of the agreed price immediately and the balance after the next market day. The village collector also meets the transport costs. He increases the efficiency of the marketing system since unit transport costs are lower when several animals are transported to market. In Indonesia, most ruminants are farmed by smallholders who usually have a single animal to sell at a given time. Sometimes the village collector performs a storage function too by holding animals until market prices are acceptable.

Smallholders have alternatives to selling to the village collector. There is usually more than one village collector and also sedentary and itinerant “blantiks” or livestock traders who intercept farmer’s enroute to the market and strike a deal. Sedentary traders work a single market whilst itinerant traders trade in several markets. Neither the sedentary nor the itinerant trader is as familiar to the farmer as the village collector.

Another player in the marketing system is the “makelar” or broker. There are 2 types of brokers; the commission broker and the floor-price broker. Commission brokers charge a fixed selling fee. If the animal remains unsold then the farmer pays nothing to the commission broker. Floor-price brokers agree a price for the animal with the farmer. The broker then attempts to sell the animal above this price. If successful, he keeps the difference between the floor-price and the actual price as his margin. Unsold animals remain the property of the farmer.

The system serves producers well. Smallholders' supplies are erratic in that they send animals usually one at a time at irregular intervals to the market. However, since 1 in 5 rural households keeps sheep and/or goats there is, in aggregate, a stable supply to the market. The market itself is stable in that demand is fairly constant throughout the year except during periodic religious feasts when demand and prices can increase substantially. Thus the village collector makes an important contribution to the marketing system for small ruminants. He buys, taking title and, of course he sells. He also helps perform other marketing functions, including assembling, finance, transportation, storage and risk bearing. In addition when he fattens the animals he adds value to the product.

Itinerant and sedentary traders represent an alternative marketing channel for smallholders. The itinerant traders perform a similar range of marketing functions to those undertaken by the village collector. Their only disadvantage is that they are not generally as well known to smallholders as the village collector. Sedentary traders actually have more in common with brokers than with either village or itinerant traders in that they act more as an agent than a buyer. The sedentary trader offers fewer services to the farmers and therefore his margin tends to be lower than that of other types of trader. Arguably, brokers perform only two functions, i.e. selling and market intelligence. However, their existence does extend the level of competition in the system. The low level of services offered by brokers perhaps explains why 80% of the farmer's trade in small ruminants is through traders.

13.5 DISTRIBUTION CHANNEL INTERMEDIARIES

Intermediaries, also known as distribution intermediaries, marketing intermediaries, or middlemen, are an extremely crucial element of a company's product distribution channel. Without intermediaries, it would be close to impossible for the business to function at all. This is because intermediaries are external groups, individuals, or businesses that make it possible for the company to deliver their products to the end user. For example, merchants are intermediaries that buy and resell products. There are four generally recognized broad groups of intermediaries: agents, wholesalers, distributors, and retailers.

Agents/Brokers: Agents or brokers are individuals or companies that act as an extension of the manufacturing company. Their main job is to represent the producer to the final user in selling a product. Thus, while they do not own the product directly, they take possession of the product in the distribution process. They make their profits through fees or commissions/brokerage.

Wholesalers: Unlike agents, wholesalers take title to the goods and services that they are intermediaries for. They are independently owned, and they own the products that they sell. Wholesalers do not work with small numbers of product: they buy in bulk, and store the products in their own warehouses and storage places until it is time to resell them. Wholesalers rarely sell to the final user; rather, they sell the products to other intermediaries such as retailers, for a higher price than they paid. Thus, they do not operate on a commission system, as agents do.

Distributors: Distributors function similarly to wholesalers in that they take ownership of the product, store it, and sell it off at a profit to retailers or other intermediaries. However, the key difference is that distributors ally themselves to complementary products. For example, distributors of Coca Cola will not distribute Pepsi products, and vice versa. In this way, they can maintain a closer relationship with their suppliers than wholesalers do.

Retailers: Retailers come in a variety of shapes and sizes: from the corner grocery store, to large chains like Wal-Mart and Target. Whatever their size, retailers purchase products from market intermediaries and sell them directly to the end user for a profit.

13.6 CHANNEL MANAGEMENT DECISION

Channel selection decisions usually are significantly affected by one or more of the following factors: customer characteristics, product attributes, type of organization, competition, marketing environmental forces, and characteristics of intermediaries.

An entrepreneur has to choose a suitable channel of distribution for his product such that the channel chosen is flexible, effective and consistent with the declared marketing policies and programmes of the firm. While selecting a distribution channel, the entrepreneur should compare the costs, sales volume and profits expected from alternative channels of distribution and take into account the following factors:-

■ **Product Consideration:** The type and the nature of products manufactured is one of the important elements in choosing the distribution channel. The major product related factors are:-

- ◆ Products of low unit value and of common use are generally sold through middlemen. Whereas, expensive consumer goods and industrial products are sold directly by the producer himself.

- ◆ Perishable products; products subjected to frequent changes in fashion or style as well as heavy and bulky products follow relatively shorter routes and are generally distributed directly to minimize costs.
- ◆ Industrial products requiring demonstration, installation and after sale service are often sold directly to the consumers. While the consumer products of technical nature are generally sold through retailers.
- ◆ An entrepreneur producing a wide range of products may find it economical to set up his own retail outlets and sell directly to the consumers. On the other hand, firms producing a narrow range of products may sell their products/distribute through wholesalers and retailers.
- ◆ A new product needs greater promotional efforts in the initial stages and hence few middlemen may be required.

■ **Market Consideration:** Another important factor influencing the choice of distribution channel is the nature of the target market. Some of the important features in this respect are:-

- If the market for the product is meant for industrial users, the channel of distribution will not need any middlemen because they buy the product in large quantities. While in the case of the goods meant for domestic consumers, middlemen may have to be involved.
- If the number of prospective customers is small or the market for the product is geographically located in a limited area, direct selling is more suitable. While in case of a large number of potential customers, use of middlemen becomes necessary.
- If the customers place order for the product in big lots, direct selling is preferred. But, if the product is sold in small quantities, middlemen are used to distribute such products.

■ **Other Considerations:-** There are several other factors that an entrepreneur must take into account while choosing a distribution channel. Some of these are as follows:-

- ◆ A new business firm may need to involve one or more middlemen in order to promote its product, while a well established firm with a good market standing may sell its product directly to the consumers.

- ◆ A small firm which cannot invest in setting up its own distribution network has to depend on middlemen for selling its product. On the other hand, a large firm can establish its own retail outlets.
- ◆ The distribution cost of each channel is also an important factor because it affects the price of the final product. Generally, a less expensive channel is preferred. But sometimes, a channel which is more convenient to the customers is preferred even if it is more expensive.
- ◆ If the demand for the product is high, more number of channels may be used to profitably distribute the product to maximum number of customers. But, if the demand is low only a few channels would be sufficient.
- ◆ The nature and the type of the middlemen required by the firm and its availability also affect the choice of the distribution channel. A company prefers middlemen who can maximize the volume of sales of their product and also offers other services like storage, promotion as well as after sale services.

When the desired types of middlemen are not available, the manufacturers will have to establish their own distribution network.

All these factors or considerations affecting the choice of a distribution channel are inter-related and interdependent. Hence, an entrepreneur must choose the most efficient and cost effective channel of distribution by taking into account all these factors as a whole in the light of the prevailing economic conditions. Such a decision is very important for a business to sustain long term profitability.

13.7 SUMMARY

A distribution channel is the chain of individuals and organizations involved in getting a product or service from the producer to the consumer. Distribution channels are also known as marketing channels or marketing distribution channels. In this context, the individuals and organizations are known as intermediaries; channels are categorized according to the number of intermediaries between the producer and the end user. A direct marketing channel, for example, which has no intermediaries between the producer and the consumer, is known as a level zero channel. A distribution channel that has a single intermediary (typically, a retailer) is known as a level one channel. Level three and higher distribution channels have additional intermediaries, such as value-added resellers (VARs), system integrators (SIs) and distributors or wholesalers. The distribution channel is further broken down into component channels, such as the sales, product and service channels, each of which may consist of several intermediaries.

There are many factors to consider when selecting the appropriate distribution channel for a given product or service. A channel strategy is the plan a producer develops for distribution.

13.8 SELF ASSESSMENT QUESTIONS

1. What do you mean by Distribution? Explain the nature of distribution
2. What are the functions of distribution channel?
3. Explain the types of distributions channel
4. Describe distribution channel intermediaries
5. Explain the channel management decision.

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UNIT - 14 : DIRECT MARKETING – RETAIL MARKETING

STRUCTURE:

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Direct Marketing
- 14.3 Benefits of Direct Marketing
- 14.4 Retail Marketing
- 14.5 Classification of Retail format
- 14.6 Summary
- 14.7 Self Assessment Questions
- 14.8 References

14.0 OBJECTIVES

After studying this unit, you will be able to ;

- Explain the concept of direct marketing
- Define retailing and discuss it's importance;
- Identify the different types of retailers both in store and non store categories;
- Explore major decision areas in retail management; and

14.1 INTRODUCTION

Direct Marketing is a marketing process where companies market to carefully targeted individual consumers with an appropriate, relevant and timely offer or message using one or more advertising media to obtain an immediate and measurable response or transaction.

Direct Marketers communicate directly with customers, often on a one-to-one, interactive basis to build and cultivate long lasting customer relationships.

Direct Marketers use detailed databases where they understand customer's demographics, attitudes, preferences and purchasing behaviors. With this knowledge, they tailor their marketing offers and communications to the needs of narrowly defined segments or even individual buyers.

Direct Marketing is also referred to as **Interactive Marketing** or **Database Marketing**, because it is expected to be two-way communication with the customer or prospect and it is database driven, where the database contains customer demographics, attitudes, preferences and purchasing history and behavior.

Beyond brand and image building, Direct Marketers usually seek a direct, immediate, and measurable customer response. With digital advertising mediums and e-commerce websites, it is possible to effectively track and measure customer responses, if the customer looked at the offer, responded to the offer by seeking more information, visited the marketer's e-commerce website, or placed an order, etc.

Early direct marketers used catalogs, direct mailers and telephone calls. They gathered customer names and sold goods mainly by mail and telephone. Today, with the advance in database and computer technology, direct marketers are using new marketing media – the internet. Internet provides several mechanisms - email, web advertisements and affiliated websites to drive customers to marketer's website or stores for sales.

When should you consider direct marketing?

- ◆ When the goal is to increase customer lifetime value
- ◆ Highly targeted offer or unique value proposition
- ◆ Many different segments
- ◆ Need to generate a “specific” response
- ◆ Want to test in real world situations
- ◆ When you want to take a calculated risk

14.2 DIRECT MARKETING

1. *Direct marketing* is the use of the telephone and non-personal media to communicate product and organizational information to customers who then purchase products by mail, telephone, or the Internet.
2. Direct marketing is one type of *non-store retailing*, the selling of products outside the confines of a retail facility.

Catalog Marketing

Catalog marketing occurs when an organization provides a catalog from which customers make selections and place orders via mail, telephone, or the Internet.

a) Some organizations offer a broad array of products spread over multiple product lines; some offer considerable depth in one major line of products, some specialize in only a few products within a single line. Advantages are:

1. Customers benefit from efficiency and convenience.
2. The retailer benefits by being able to locate in remote, low-cost areas, save on expensive store fixtures, and reduce both personal selling and store operating expenses.

Disadvantage: Catalog retailing is inflexible, provides limited service, and is most effective only for a selected set of products.

Direct-Response Marketing

Direct-response marketing occurs when a retailer advertises a product and makes it available through mail or telephone orders.

Telemarketing

Telemarketing is the performance of marketing-related activities by telephone.

1. Telemarketing can help generate sales leads, improve customer service, accelerate payments on past-due accounts, raise funds for nonprofit organizations, and gather marketing data.
2. The laws and regulations regarding telemarketing have become more restrictive, and many states have established do-not-call lists of customers who do not want to receive telemarketing calls from companies operating in their state.

Television Home Shopping

Television home shopping presents products to television viewers who can purchase products through toll-free numbers and paying with credit cards.

1. This venue permits products to be easily demonstrated and allows for sufficient time to make viewers well informed.
2. Another benefit is customers can shop at their convenience from the comfort of their homes.

Online Retailing

Online retailing makes products available through computer connections.

1. The phenomenal growth and expansion of the Internet has created new retail opportunities. Many companies now have websites that disseminate information and allow for easy ordering.
2. Consumers can purchase hard-to-find items and upscale items from virtually anywhere in the world; they can even manage their bank accounts and credit cards online.
3. Security remains a serious issue, with most consumers concerned about online security.

14.3 BENEFITES OF DIRECT MARKETING

Direct Marketing can bring many benefits to both buyers and sellers, whether it is employed as a complete business model (like in the case of Dell Computers) or as a supplement to a broader integrated marketing mix (like in the case of Hewlett-Packard or Sony).

For buyers, Direct Marketing provides convenience, easy to use, and private way of interacting with Sellers. Buyers from the comfort of their homes or offices can browse

mail catalogs or company websites at any time of the day or night. Direct Marketing gives buyers ready access to a wealth of products and information, at home and around the globe. Direct Marketing is immediate and interactive – buyers can interact with sellers by phone, chat or emails or on the seller’s website to create exactly the configuration of information, products, or services they desire, and then order them on the spot.

For sellers, direct marketing is a powerful tool for building customer relationships. Using customer databases and insight into customer data, marketers can target small groups or individual consumers, tailor offers for individual needs, and promote these offers through personalized communications. Direct Marketing can also be timed to reach prospects at just the right moment. The internet is a great tool for direct marketing as it provides interactivity, one-to-one communication, access to global markets and measurability.

Direct Marketing is a low cost, efficient alternative for reaching to customers through its lower costs of media, and reaching to customers over internet, email and web sites.

14.4 RETAIL MARKETING

Retailers are the traders who buy goods from wholesalers or sometimes directly from producers and sell them to the consumers. They usually operate through a retail shop and sell goods in small quantities. They keep a variety of items of daily use.

Characteristics of Retailers

The following are the characteristics of retailers:

- (i) Retailers have a direct contact with consumers. They know the requirements of the consumers and keep goods accordingly in their shops.
- (ii) Retailers sell goods not for resale, but for ultimate use by consumers. For example, you buy fruits, clothes, pen, pencil etc. for your use, not for resale.
- (iii) Retailers buy and sell goods in small quantities. So customers can fulfill their requirement without storing much for the future.
- (iv) Retailers require less capital to start and run the business as compared to wholesalers.
- (v) Retailers generally deal with different varieties of products and they give a wide choice to the consumers to buy the goods.

- (vi) Retailers purchase the goods on credit but normally sell them for cash.
- (vii) Retailers give special attention towards the decoration and display of goods in their shops. This is done to attract customers.

14.5 CLASSIFICATION OF RETAIL FORMAT



Regardless of the particular type of retailer (such as a supermarket or a department store), retailers can be categorized by (a) Ownership, (b) Store strategy mix, and (c) Non store operations.

Form of Ownership

A retail business like any other type of business can be owned by a sole proprietor, partners or a corporation. A majority of retail business in India are sole proprietorships and partnerships.

dependent Retailer

Generally operates one outlet and offers personalized service, a convenient location and close customer contact. Roughly 98% of all the retail businesses in India, are managed and run by independents, including barber shops, drycleaners, furniture stores, bookshops, LPG Gas Agencies and neighborhood stores. This is due to the fact that entry into retailing is easy and it requires low investment and little technical knowledge. This obviously results in a high degree of competition..Most independent retailers fail because of the ease of entry, poor management skills and inadequate resources.

Retail Chain

It involves common ownership of multiple units. In such units, the purchasing and decision making are centralized. Chains often rely on, specialization, standardization and elaborate control- systems. Consequently chains are able to serve a large dispersed target market and maintain a well known company name. Chain stores have been successful, mainly because they have the opportunity to take advantage of “economies of scale” in buying and selling goods. They can maintain their prices, thus increasing their margins, or they can cut prices and attract greater sales volume. Unlike smaller, independent retailers with lesser financial means, they can also take advantage of such tools as computers and information technology. Examples of retail chains in India are Shoppers stop; West side and IOC, convenience stores at select petrol filling stations.

Retail Franchising

Is a contractual arrangement between a “franchiser” (which may be a manufacturer, wholesaler, or a service sponsor) and a “franchisee” or franchisees, which allows the latter to conduct a certain form of business under an established name and according to a specific set of rules. The franchise agreement gives the franchiser much discretion in controlling the operations of small retailers. In exchange for fees, royalties and a share of the profits, the franchiser offers assistance and very often supplies as well. Classic examples of franchising are; McDonalds, PizzaHut and Nirulas.

Cooperatives

A retail cooperative is a group of independent retailers, that have combined their financial resources and their expertise in order to effectively control their wholesaling needs. They share purchases, storage, shopping facilities, advertising planning and other functions. The individual retailers retain their independence, but agree on broad common policies. Amul is a typical example of a cooperative in India.

Store Strategy Mix

Retailers can be classified by retail store strategy mix, which is an integrated combination of hours, location, assortment, service, advertising, and prices etc. The various categories are:

Merchandise offer Convenience Store:

Is generally a well situated, food oriented store with long operating hours and a limited number of items. Consumers use a convenience store; for fill in items such as bread, milk, eggs, chocolates and candy etc.

Super markets:

Is a diversified store which sells a broad range of food and non food items. A supermarket typically carries small house hold appliances, some apparel items, bakery, film developing, jams, pickles, books, audio/video CD's etc. The Govt. run Super bazaar, and Kendriya Bhandar in Delhi are good examples of a super market. Similarly in Mumbai, we have Apna Bazar and Sahakari Bhandar.

Department Stores:

A department store usually sells a general line of apparel for the family, household linens, home furnishings and appliances. Large format apparel department stores include Pantaloon, Ebony and Pyramid. Others in this category are: Shoppers Stop and Westside.

Speciality Store:

Concentrates on the sale of a single line of products or services, such as Audio equipment, Jewellery, Beauty and Health Care, etc. Consumers are not confronted with racks of unrelated merchandise. Successful speciality stores in India include, Music World for audio needs, Tanishq for jewellery and McDonalds, Pizza Hut and Nirula's for food services.

Hyper Markets:

Is a special kind of combination store which integrates an economy super market with a discount department store. A hyper market generally has an ambience which attracts the family as whole. Pantaloon Retail India Ltd. (PRIL) through its hypermarket "Big Bazar", offers products at prices which are 25% - 30% lower than the market price.

Catalog Retailing:

This is a type of non store retailing in which the retailers offers the merchandise in a catalogue, which includes ordering instructions and customer orders by mail. The basic attraction for shoppers is convenience. The advantages to the retailers include lower operating costs, lower rents, smaller sales staff and absence of shop lifting. This trend is catching up fast in India. Burlington's catalogue shopping was quite popular in recent times. Some multi level marketing companies like Oriflame also resort to catalogue retailing.

Service Retailing Direct Response Retailing:

Here the marketers advertise these products/ services in magazines, newspapers, radio and/or television offering an address or telephone number so that consumers can

write or call to place an order. It is also sometimes referred to as “Direct response advertising.” The availability of credit cards and toll free numbers stimulate direct response by telephone. The goal is to induce the customer to make an immediate and direct response to the advertisement to “order now.” Telebrands is a classic example of direct response retailing. Times shopping India is another example.

Automatic Vending:

Although in a very nascent stage in India, is the ultimate in non personal, non store retailing. Products are sold directly to customers/buyers from machines. These machines dispense products which enable customers to buy after closing hours. ATM’s dispensing cash at odd hours represent this form of non store retailing. Apart from all the multinational banks, a large number of Indian banks also provide ATM services, countrywide.

Electronic Retailing/E-Tailing:

Is a retail format in which retailers communicate with customers and offer products and services for sale, over the internet. The rapid diffusion of internet access and usage, and the perceived low cost of entry has stimulated the creation of thousands of entrepreneurial electronic retailing ventures during the last 10 years or so. Amazon.com, E-bay and Baze.com HDFC Sec.com are some of the many e-tailers operating today.

14.6 SUMMARY

Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company’s products. This is different from other types of marketing because of the components of the retail trade, such as selling finished goods in small quantities to the consumer or end user, usually from a fixed location. Retail marketing makes use of the common principles of the marketing mix, such as product, price, place and promotion. A study of retail marketing at university level includes effective merchandising strategies, shopping and consumer behavior, branding and advertising. Retail marketing is especially important to small retailers trying to compete against large chain stores.

14.7 SELF ASSESSMENT QUESTIONS

1. What is meant by Direct marketing ?
2. Give four examples of services that are distributed through the direct channels.
3. Explain the different channels through which a product moves from producers to ultimate consumers.
5. Give any four characteristics of retailers.
6. Explain the role of retailers in distribution of goods.
9. Write short note on: (1) Direct Marketing (2) Tele Marketing (3) Hyper Markets.

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UNIT - 15 : WHOLESALING

STRUCTURE:

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Characteristics of wholesaler
- 15.3 Wholesale v/s Retail
- 15.4 Functions of wholesalers
- 15.5 Benefits of selling wholesale
- 15.6 Types of wholesalers
 - 15.6.1 Merchant wholesalers
 - 15.6.2 Full service wholesalers
 - 15.6.3 Limited service wholesalers
 - 15.6.4 Cash and carry wholesalers
 - 15.6.5 Agents and Brokers
 - 15.6.6 Manufacturer sales braches and offices
- 15.7 Summary
- 15.8 Self Assessment Questions
- 15.9 References

15.0 OBJECTIVES

After studying this unit, you will be able to ;

- Understand the roles of retailers and wholesalers in the marketing channel.
- Know the major types of wholesalers.
- Understand the marketing decisions facing wholesalers

15.1 INTRODUCTION

Wholesalers are one of the important middlemen in the channel of distribution who deal with the goods in bulk quantity. They buy goods in bulk from the producers and sell them in relatively smaller quantities to the retailers. In some cases they also sell goods directly to the consumers if the quantity to be purchased is more. They usually deal with a limited variety of items and also in a specific line of product, like iron and steel, textiles, paper, electrical appliances, etc. Let us know about the characteristics of wholesaler.

Wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. Wholesaling is the sale of goods or merchandise to retailers to industrial. Commercial. Institutional or other professional business users. Or to other wholesalers and related subordinated services

Wholesaler is those firms engaged primarily in wholesaling. Wholesalers are someone who buys large quantities of goods and resells to merchants rather than to the ultimate customers

Why would a producer use wholesalers rather than selling directly to retailers or consumers? Because wholesalers are better at performing many channel functions.

According to the united nations statistics Division. “Wholesale” is the resale of new and used goods to retailers, to industrial. Commercial, institutional or professional users or to other wholesalers. Or involves acting as an agent or broker in buying merchandise for or selling merchandise to. Such persons or companies. Wholesalers frequently physically assemble sort and grade goods in large lots, break bulk, repack redistribute in the smaller lots.

15.2 CHARACTERISTICS OF WHOLESALER

The followings are the characteristics of wholesalers:

- (i) Wholesalers buy goods directly from producers or manufacturers.
- (ii) Wholesalers buy goods in large quantities and sell in relatively smaller quantities.
- (iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals in paper is expected to keep all varieties of paper, cardboard, card, etc.
- (iv) They may employ a number of agents or workers for distribution of products.
- (v) Wholesalers need large amount of capital to be invested in his business.
- (vi) They generally provide credit facility to retailers.
- (vii) They also provide financial assistance to the producers or manufacturers.
- (viii) In a city or town they are normally seen to be located in one particular area of the market.

15.3 WHOLESALE V/S RETAIL

The terms “wholesale” and “retail” themselves explain the difference. “Wholesale” means “selling in large quantities” and “retail” means “selling in small quantities.”

In wholesale, the goods are mainly sold to the retailer who sells it to the customers. A wholesaler might also sell the products directly to the customers.

One of the main differences between wholesale and retail is in the price of the goods. The wholesale price is always lower than the retail price. This is mainly because the retailer has to include many other costs while selling the goods. The retailer has to add costs like the salaries of employees, rents of shops, sales tax, and advertising of the goods that he buys from a wholesaler. A wholesaler does not worry much about all of these aspects which prompts him to sell goods at a lower price.

The wholesaler has direct links with the manufacturer and buys products or goods directly from him. On the other hand, a retailer has no direct contact with the manufacturer.

In choosing the quality, the retailer has an upper hand. A retailer can choose the products with quality and discard the damaged ones as they only buy small amounts. On

the contrary, the wholesaler will not have a say in the quality as he has to buy in bulk from the manufacturer. This means that the retailer has the freedom to choose the products whereas the wholesaler does not have the freedom to choose the products.

It can also be seen that retailers have to spend more in maintaining the retail space as they have to attract the consumers. On the other hand, a wholesaler need not worry about the space as it is only the retailer who buys from him.

When comparing the profit margin, a wholesaler gets more profit than a retailer. But even then, a wholesaler gets more money as he sells in bulk. A retailer just sells only one product at a time.

15.4 FUNCTIONS OF WHOLESALERS

Services Provided by Wholesalers

1. Wholesalers provide essential services to both producers and retailers.

a) **Services Provided to Producers**

- (1) By initiating sales contacts with a producer and by selling diverse products to retailers, wholesalers serve as an extension of the producer's sales force.
- (2) Wholesalers often pay for transporting goods; they reduce a producer's warehousing expenses and inventory investment by holding goods in inventory; they extend credit and assume losses from buyers who turn out to be poor credit risks; and when they buy a producer's entire output and pay promptly or in cash, they are a source of working capital.
- (3) Wholesalers serve as conduits for information within the marketing channel.

b) **Services Provided to Retailers**

- (1) Wholesalers support retailers by assisting with marketing strategy, especially in the distribution.
- (2) They help retailers select inventory.
- (3) They are often specialists on market conditions and experts at negotiating final purchases.
- (4) They can reduce a retailer's burden of looking for and coordinating supply sources.
- (5) If the wholesaler purchases for several different buyers, expenses can be shared by all customers.

2. The distinction between services performed by wholesalers and those performed by other businesses has blurred in recent years because of changes in the competitive nature of business and technological innovations.

A wholesaler is necessary because he performs several other marketing functions which are also given below:

1. Assembling:

A wholesaler buys goods in bulk from different manufacturers and keeps them at one place. He collects goods from several places much in advance of demand. He may also import goods from foreign countries.

2. Warehousing or storage:

There is usually a large time gap between production and consumption of goods. Goods must, therefore, be stored for a considerable time.

A wholesaler stores goods in his warehouse and makes them available to retailers as and when demanded. He stabilizes prices of the goods by adjusting the supply with the demand. He creates time utility.

3. Dispersion:

A wholesaler distributes the assembled goods among a large number of retailers scattered at different places. He sells goods in small quantities according to the choice of retailers. This is known as 'breaking of bulk'.

4. Transportation:

A wholesaler arranges for the transport of goods from producers to his warehouse and from the warehouse to retailers. He carries goods in bulk thereby saving costs of transport.

Many wholesalers maintain their own trucks and tempos to carry goods far and wide quickly. Thus, a wholesaler adds place utility to the goods.

5. Financing:

A wholesaler often provides advance money with orders to manufacturers. He purchases goods in bulk on cash basis from them. In addition, he often sells goods on credit basis to retailers. In this way, he provides finance to both producers and retailers.

6. Risk -bearing:

A wholesaler assumes the risk of damage to goods in transit and in storage. He also bears the risks arising from changes in demand and bad debts. He serves as the shock absorber in the distribution of goods.

7. Grading and Packing:

Many wholesalers classify the assembled goods into different grades, pack them into small lots and put their own trademarks or brand names. In this way, they perform the functions of grading, packing and branding.

8. Pricing:

A wholesaler anticipates demand and market conditions. He helps to determine the resale price of goods.

15.5 BENEFITS OF SELLING WHOLESALE

Many designers and makers shy away from the idea of wholesale because they worry about giving away half their profits. But the truth is, if your products are appropriately priced, you can generate more revenue through wholesaling. Some of the benefits of wholesaling include:

- ◆ Predictable schedule and revenue stream. When you write orders, whether through a trade show or independently, you determine a ship date for the order. This allows you to space out both your production schedule and revenue stream to suit your needs. While store owners and buyers will have some input on when they'd like an order to ship, you will have the flexibility to schedule ship dates so that they work with your schedule.
- ◆ No more guessing as to which products will sell – you only need to produce items you have written orders for. Perhaps, like me, you've had the experience of preparing for a retail craft show where you need to build up inventory, but you have no way of knowing which products will sell the best. In wholesale, after making your initial samples, you only need to produce the products after you've written an order. This means you don't waste time making products that may not sell – products that you may have to discount later to clear inventory.
- ◆ Increased exposure to a larger audience. Wholesale introduces your work to a much larger audience who may never have found you through your online shop or retail shows. If you wholesale to a major online retailer, you have the benefit of a much higher level of traffic than you might see on your own site.

◆ Sell your work in more locations than you would ever be able to reach doing retail shows. If you did a full circuit of retail craft fairs every season, there are still plenty of cities and states you would never see. Wholesale brings your work to new locations that may be out of your reach through other methods.

15.6 TYPES OF WHOLESALERS

15.6.1 Merchant Wholesalers

- a) *Merchant wholesalers* are independently owned businesses that take title to goods, assume risks associated with ownership, and generally buy and resell products to other wholesalers, business customers, or retailers.
- b) A producer will rely on a merchant wholesaler when selling directly to customers is not feasible economically.
- c) They are also called “wholesaler,” “jobber,” “distributor,” “assembler,” “exporter,” and “importer.”

15.6.2 Full-Service Wholesalers

- a) *Full-service wholesalers* perform the widest possible range of wholesaling functions.
- b) Customers rely on full-service wholesalers for product availability, suitable assortments, breaking large quantities into smaller ones, financial assistance, and technical advice and service.
- c) Types of Full-Service Wholesalers
 - (1) *General-merchandise wholesalers* carry a wide product mix but offer limited depth within product lines.
 - (2) *General-line wholesalers* carry only a few product lines but offer an extensive assortment of products within those lines.
 - (3) *Specialty-line wholesalers* offer the narrowest range of products, usually a single product line or a few items within a product line.
 - (4) *Rack jobbers* are full-service, specialty-line wholesalers that own and maintain display racks in supermarkets, drugstores, and discount and variety stores.

15.6.3 Limited-Service Wholesalers

- a) *Limited-service wholesalers* provide fewer marketing services than full-service wholesalers and specialize in just a few functions, passing on the rest of the functions to customers or other intermediaries.

b) Limited-service wholesalers take title to merchandise but often do not deliver merchandise, grant credit, provide marketing information, store inventory, or plan ahead for customers' future needs.

15.6.4 Cash and Carry Wholesalers

- a) *Cash-and-carry wholesalers* are intermediaries whose customers—usually small businesses—pay cash and furnish transportation.
- b) *Truck wholesalers*, sometimes called “truck jobbers,” transport a limited line of products directly to customers for on-the-spot inspection and selection.
- c) *Drop shippers*, also known as “desk jobbers,” take title to goods and negotiate sales but never take actual possession of products.
- d) *Mail-order wholesalers* use catalogs instead of sales forces to sell products to retail and business customers.

15.6.5 Agents and Brokers

a) *Agents and brokers* negotiate purchases and expedite sales but do not take title to products. They are sometimes called “functional middlemen.”

(1) *Agents* represent either buyers or sellers on a permanent basis.

(2) *Brokers* are intermediaries temporarily employed by buyers or sellers.

b) Although agents and brokers perform even fewer functions than limited-service wholesalers, they are usually specialists in particular products or types of customers and can provide valuable sales expertise.

c) Types of Agents

(1) *Manufacturers' agents* are independent intermediaries who represent two or more sellers and usually offer customers complete product lines.

(2) *Selling agents* market either all of a specified product line or a manufacturer's entire output.

(3) *Commission merchants* receive goods on consignment from local sellers and negotiate sales in large, central markets.

d) A broker's primary purpose is to bring buyers and sellers together. Thus brokers perform fewer functions than other intermediaries.

15.6.6 Manufacturers' Sales Branches and Offices

- a) *Sales branches* are manufacturer-owned intermediaries that sell products and provide support to the manufacturer's sales force.
- b) *Sales offices* are manufacturer-owned operations that provide services normally associated with agents.
- c) Manufacturers may set up these branches or offices to reach their customers more effectively by performing wholesaling functions themselves.

CASE STUDY - GROCERY INDUSTRY

This privately-owned company supplies wholesale foods to grocery stores from the Mid Atlantic to the deep South. It runs a fleet of more than 240 tractors and 500 trailers and employs more than 1,700 people.

Since implementing Syntelic's Transportation Solution in 1998, the company has improved the visibility of its transportation operations in all of its complexity.

Business Challenge

The grocery industry is fiercely competitive. A privately held Syntelic wholesale grocery distributor customer points to its 95% on-time delivery rate within a 30-minute window as its key measure of success and a definite competitive advantage. Routes to grocery stores are a combination of straight frozen food runs and mixed runs of dry, refrigerated and frozen products. Trailers are equipped with onboard computers from Cadec Global, Inc., and its transportation division employs a dynamic routing and driver pay system that calculates deliveries by components (per pallet delivered).

As a leader, testing new cost management techniques is a must to remain competitive; thus the management team demands a distribution tracking solution that can quickly and easily crunch all the numbers to provide any variance between plans and actual performance for every route and driver.

Solution

"I don't see how we could get by without Syntelic," says the company's Transportation Systems Supervisor. Without Syntelic, supervisors would not be able to evaluate driver logs efficiently to make needed payroll adjustments and route changes based on what they did compared with the initial route plan. "We would be limited to word-of-mouth check-ins with no more than one in ten of our drivers," says the Supervisor. "Changes would be a manual process and obviously very time consuming."

Syntelic is considered to be a valuable tool for solving problems and answering questions. Driver managers can guide drivers and give them incentives to improve their performance by viewing route histories vs. plan using a visual timeline graphic. “I can easily pick out if a driver has moved off his planned route and find out why.”

Results

Given the day-to-day demands on the current system, and the company’s good relationship with Syntelic, the Syntelic web-based and scalable Enterprise Platform represents the next logical step in leveraging the company’s investment since the web-based solution offers additional functionality, dashboard analysis and further reporting and security benefits.

Different roles in the organization today use Syntelic in different ways, and each user can access system information using their own custom view of the information they need in order to do their job effectively.

- ◆ Executive management receives regular updates on key performance indicators such as on time delivery rates.
- ◆ Route managers can look at outbound routes to calculate optimal backhauls.
- ◆ Driver managers can look at driver attendance, punch-in times, and route performance.
- ◆ Payroll can make adjustments based on actual performance.
- ◆ The Transportation Systems Supervisor can evaluate equipment utilization and recommend capital investments.

If any manager or executive poses a new question or needs a more information, Syntelic offers the flexibility to pull information into customized dashboards and filter out whatever is less than relevant.

The company has continued to grow in a tough economy by successfully promoting its stellar track record for on-time deliveries to win new business and keep satisfied customers. “The grocery store business has narrow profit margins,” says the company’s Transportation Systems Supervisor. “When we say we are going to be at a store at a certain time, they depend on that. They can’t afford to keep personnel standing around waiting for the delivery truck.”

15.7 SUMMARY

Wholesalers have been the big thing in this past era. They are the prime route for manufactured products to arrive at the retail market. They act as a bridge between the manufacturer and the retailer. Wholesalers buy goods from the manufacturers in large quantities and their major clients are retailers who buy products in bulk. But they do not necessarily sell only to retailers. They also sell to distributors or to other smaller sellers.

15.8 SELF ASSESSMENT QUESTIONS

1. Define wholesaler. How do they serve as an important link in the channel of distribution?
2. State any five differences between wholesalers and retailers.
3. Explain the functions of wholesalers.
4. Describe the types of wholesalers
5. What are the benefits of selling wholesale

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UNIT - 16 : PROMOTION DECISION

STRUCTURE:

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Objectives of Sales Promotion
- 16.3 Tools of sales Promotion
 - 16.3.1: Free samples
 - 16.3.2: Premium or Bonus offer
 - 16.3.3: Exchange Schmes
 - 16.3.4: Price- off offer
 - 16.3.5: Coupons sometimes
 - 16.3.6: Fairs and Exhibitions
 - 16.3.7: Trading stamps
 - 16.3.8: Scratch and win offer
 - 16.3.9: Money back offer
- 16.4 Importance of sales promotion
- 16.5 Promotion Mix
- 16.6 Steps to developing optimal promotionad mix
- 16.7 Measuring the effectiveness of Promotional mix
- 16.8 Summary
- 16.9 Self Assessment Questions
- 16.10References

16.0 OBJECTIVES

After studying this unit, you will be able to ;

- Explain the meaning of sales promotion
- State the objectives of sales promotion
- Describe the various tools used in sales promotion; recognize the role of each tool in promoting sales and describe the importance of sales promotion in business.

16.1 INTRODUCTION

Every businessman wants to increase the sale of goods that he deals in. He can adopt several ways for that purpose. You might have heard about “lakhpati bano”, “win a tour to Singapore”, “30% extra in a pack of one kg”, “scratch the card and win a prize” etc. You might also have seen gifts like lunch box, pencil box, pen, shampoo pouch etc. offered free with some products.

There are also exchange offers, like in exchange of existing model of television you can get a new model at a reduced price. You may have also observed in your neighbouring markets notices of “winter sale”, “summer sale”, “trade fairs”, “discount upto 50%” and many other schemes to attract customers to buy certain products. All these are incentives offered by manufacturers or dealers to increase the sale of their goods. These incentives may be in the form of free samples, gifts, discount coupons, demonstrations, shows, contests etc. All these measures normally motivate the customers to buy more and thus, it increases sales of the product. This approach of selling goods is known as “Sales Promotion”.

You have learnt about advertising and personal selling in the earlier lessons. Personal selling involves face-to-face contact with specific individuals, while advertising is directed towards a large number of potential customers. They also help in increasing sales of goods. Thus, advertising can be used as means of communication to inform potential customers about the incentives offered for sales promotion. Personal selling can as well include communication of the incentives to individual customers. But, sales promotion differs from advertising and personal selling in terms of its approach and technique. Sales promotion adopts short term, non-recurring methods to boost up sales in different ways. These offers are not available to the customers throughout the year. During festivals, end of the seasons, year ending and some other occasions these schemes are generally found in the market.

Thus, sales promotion consists of all activities other than advertising and personal selling that help to increase sales of a particular commodity.

16.2 OBJECTIVES OF SALES PROMOTION

You have learnt that the main objective of sales promotion is to increase sales. However, there are also some other objectives of sales promotion. The objectives are:

- i. To introduce new products
- ii. To attract new customers and retain the existing ones
- iii. To maintain sales of seasonal products
- iv. To meet the challenge of competition

Let us learn about these objectives in details.

- (i) To introduce new products: Have you ever heard about distribution of free samples? Perhaps you know that many companies distribute free samples while introducing new products. The consumers after using these free samples may develop a taste for it and buy the products later for consumption.
- (ii) To attract new customers and retain the existing ones: Sales promotion measures help to attract or create new customers for the products. While moving in the market, customers are generally attracted towards the product that offers discount, gift, prize, etc on buying. These are some of the tools used to encourage the customers to buy the goods. Thus, it helps to retain the existing customers, and at the same time it also attracts some new customers to buy the product.
- (iii) To maintain sales of seasonal products: There are some products like air conditioner, fan, refrigerator, cooler, winter clothes, room heater, sunscreen lotion, glycerin soap etc., which are used only in particular seasons. To maintain the sale of these types of products normally the manufactures and dealers give off-season discount. For example, you can buy air conditioner in winter at a reduced price. Similarly you may get discount on winter clothes during summer.
- (iv) To meet the challenge of competition: Today's business faces competition all the time. New products frequently come to the market and at the same time improvement also takes place. So sales promotion measures have become essential to retain the market share of the seller or producer in the product-market.

16.3 TOOLS OF SALES PROMOTION

To increase the sale of any product manufactures or producers adopt different measures like sample, gift, bonus, and many more. These are known as tools or techniques or methods of sales promotion. Let us know more about some of the commonly used tools of sales promotion.

16.3.1:Free samples:

You might have received free samples of shampoo, washing powder, coffee powder, etc. while purchasing various items from the market. Sometimes these free samples are also distributed by the shopkeeper even without purchasing any item from his shop. These are distributed to attract consumers to try out a new product and thereby create new customers. Some businessmen distribute samples among selected persons in order to popularize the product. For example, in the case of medicine free samples are distributed among physicians, in the case of textbooks, specimen copies are distributed among teachers.

16.3.2:Premium or Bonus offer:

A milk shaker along with Nescafe, mug with Bournvita, toothbrush with 500 grams of toothpaste, 30% extra in a pack of one kg. are the examples of premium or bonus given free with the purchase of a product. They are effective in inducing consumers to buy a particular product. This is also useful for encouraging and rewarding existing customers.

16.3.3:Exchange schemes:

It refers to offering exchange of old product for a new product at a price less than the original price of the product. This is useful for drawing attention to product improvement. 'Bring your old mixer-cum-juicer and exchange it for a new one just by paying Rs.500' or 'exchange your black and white television with a colour television' are various popular examples of exchange scheme.

16.3.4:Price-off offer:

Under this offer, products are sold at a price lower than the original price. 'Rs. 2 off on purchase of a lifebouy soap, Rs. 15 off on a pack of 250 grams of Taj Mahal tea, Rs. 1000 off on cooler' etc. are some of the common schemes. This type of scheme is designed to boost up sales in off-season and sometimes while introducing a new product in the market.

16.3.5: Coupons: Sometimes

coupons are issued by manufacturers either in the packet of a product or through an advertisement printed in the newspaper or magazine or through mail. These coupons can be presented to the retailer while buying the product. The holder of the coupon gets the product at a discount. For example, you might have come across coupons like, 'show this and get Rs. 15 off on purchase of 5 kg. of Annapurna Atta'. The reduced price under this scheme attracts the attention of the prospective customers towards new or improved products.

16.3.6: Fairs and Exhibitions:

Fairs and exhibitions may be organised at local, regional, national or international level to introduce new products, demonstrate the products and to explain special features and usefulness of the products. Goods are displayed and demonstrated and their sale is also conducted at a reasonable discount. 'International Trade Fair' in New Delhi at Pragati Maidan, which is held from 14th to 27th November every year, is a well known example of Fairs and Exhibitions as a tool of sales promotion.

16.3.7: Trading stamps:

In case of some specific products trading stamps are distributed among the customers according to the value of their purchase. The customers are required to collect these stamps of sufficient value within a particular period in order to avail of some benefits. This tool induces customers to buy that product more frequently to collect the stamps of required value.

16.3.8: Scratch and win offer:

To induce the customer to buy a particular product 'scratch and win' scheme is also offered. Under this scheme a customer scratch a specific marked area on the package of the product and gets the benefit according to the message written there. In this way customers may get some item free as mentioned on the marked area or may avail of price-off, or sometimes visit different places on special tour arranged by the manufacturers.

16.3.9: Money Back offer:

Under this scheme customers are given assurance that full value of the product will be returned to them if they are not satisfied after using the product. This creates confidence among the customers with regard to the quality of the product. This technique is particularly useful while introducing new products in the market.

16.4 IMPORTANCE OF SALES PROMOTION

The business world today is a world of competition. A business cannot survive if its products do not sell in the market. Thus, all marketing activities are undertaken to increase sales. Producers need to be offered to attract customers to buy the product. Thus, sales promotion is important to increase the sale of any product. Let us discuss the importance of sales promotion from the point of view of manufacturers and consumers.

From the point of view of manufacturers

Sales promotion is important for manufacturers because

- i. it helps to increase sales in a competitive market and thus, increases profits;
- ii. it helps to introduce new products in the market by drawing the attention of potential customers
- iii. when a new product is introduced or there is a change of fashion or taste of consumers, existing stocks can be quickly disposed off
- iv. it stabilizes sales volume by keeping its customers with them. In the age of competition it is quite much possible that a customer may change his/her mind and try other brands. Various incentives under sales promotion schemes help to retain the customers.

From the point of view of consumers

Sales promotion is important for consumers because

- i. the consumer gets the product at a cheaper rate;
- ii. it gives financial benefit to the customers by way of providing prizes and sending them to visit different places;
- iii. the consumer gets all information about the quality, features and uses of different products;
- iv. certain schemes like money back offer creates confidence in the mind of customers about the quality of goods; and
- v. it helps to raise the standard of living of people. By exchanging their old items they can use latest items available in the market. Use of such goods improves their image in society.

16.5 PROMOTION MIX

The ‘promotional mix’ is a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers.

Why it is important?

If customers don’t know what products and services you provide, then your business will not survive in today’s competitive marketplace. Effective communication with your customers is vital to ensure that your business generates sales and profits. By taking the time to develop and implement an appropriate promotional mix, you will stimulate your target audience to buy your products or services - and manage this within a budget you can afford.

What you should do?

A successful promotional mix uses a balance of its five tools in a planned and structured way – a single tool rarely works well in isolation. The challenge is to select the right mix of promotional activities to suit your particular business at a particular time – and to then use it correctly to achieve a result. The combination of tools you use will depend on the target audience, the message you wish to communicate and the budget you make available. There would be little point in advertising new gas boilers in a fashion magazine – much more appropriate to advertise in a trade magazine for builders and gas fitters.

Here is a 10-step checklist for developing and managing your promotional mix.

1. Decide how the products and services you provide can be ‘packaged’ together. The image of your business is formed by the way you promote the elements of the marketing mix – your products, prices and the places through which you sell. It is often helpful to think about promoting the business as opposed to a single product or service. If you need to think more about the marketing mix before going any further, take a look at the 10-minute Marketing Mix briefing.
2. Develop a profile of the target audience for the message you will communicate. Who is the target audience? This goes beyond a simple customer list. Is it consumers, businesses or members of the channel (such as distributors) you are using to get your product to the end customer? Is it the wider stakeholder audience?
3. Decide on the message to use. Are you trying to differentiate, remind, inform or persuade? Set an objective for what should be achieved. Be clear about the benefits that you want to promote.

4. Decide what image of the product/service/business you want your audience to retain.
5. Decide on a budget. This is often how much you can afford given projected sales for the product or service.
6. Decide how the message should be delivered. To help you to decide what aspects of the promotional mix to use, think about taking your customers on a journey that starts by creating awareness about your business, through obtaining information about the products and services you provide, and ends by generating a sale. Each component of the mix will achieve a different result, so your choice must be based on real objectives for your business. What promotional tools should be used? When should communications happen? How often? Is the message consistent?
7. Decide what actions you want your audience to take as a result of receiving your communication. It is not always place an order
8. Put in place a means of measuring and controlling the plan once it is developed. Who will be responsible for dealing with the agency or media? Who will be responsible for checking that promotional activity happens as planned?
9. Undertake your promotional plan. Be consistent in what you say and how you say it.
10. Measure what you have achieved against the original objectives that you set.

The promotional mix includes the following tools -

- ◆ Advertising
- ◆ Publicity and Public relations
- ◆ Sales promotion
- ◆ Direct marketing
- ◆ Personal selling

◆ **Advertising:** Involves non-personal, mostly paid promotions often using mass media outlets to deliver the marketer's message. While historically advertising has involved one-way communication with little feedback opportunity for the customer experiencing the advertisement, the advent of computer technology and, in particular, the Internet has increased the options that allow customers to provide quick feedback.

◆ **Sales Promotion:** Involves the use of special short-term techniques, often in the form of incentives, to encourage customers to respond or undertake some activity. For instance, the use of retail coupons with expiration dates requires customers to act while the incentive is still valid.

◆ **Publicity and Public Relations:** Also referred to as publicity, this type of promotion uses third-party sources, and particularly the news media, to offer a favorable mention of the marketer's company or product without direct payment to the publisher of the information.

◆ **Personal Selling:** As the name implies, this form of promotion involves personal contact between company representatives and those who have a role in purchase decisions (e.g., make the decision, such as consumers, or have an influence on a decision, such as members of a company buying center). Often this occurs face-to-face or via telephone, though newer technologies allow this to occur online via video conferencing or text chat.

16.6 STEPS TO DEVELOPING OPTIMAL PROMOTIONAL MIX

An organization must make sure that its promotional mix is effective, if it will benefit from it. The following are the steps involved in having an optimal promotional mix.

Step 1; identify the audience: a marketing promotion starts with clear target audiences in mind. The audience may be potential buyers or current users, it may be individuals, group, special public or the general public. The target audiences are one of the major determinants of what mix is to be used?

Step 2; determine the needs: after having identified the target audience, the next thing to do is to know what their basic needs are and is the product relevant for the audience?

Step 3; determine the promotional objectives: the promotional activities should have a target to be meant which is referred to as objective. Is it to increase sales? Or is it to just create awareness? It should be clearly stated.

Step 4; choose the mix: after the expected response is determined, then the marketer can look critically at all mix and identify which can best satisfy their objectives.

cannot say precisely if the activities had been successful. For an organization to measure the effectiveness of its promotional activities, this can be done in either of the following ways;

- Direct sales result; this method reveals the sales revenue for each amount input into promotion. That is, it measures the rate of sales to the expense on promotion.
- Indirect evaluation; this method focuses on quantifiable indicators of effectiveness. For instance, the effectiveness is measured based on the organization's study of the number of audience that actually heard about the product during the promotional activities.
- Returns method; this method is the work of Professor Don Schutz. He said promotional effectiveness should be measured based on the returns of the period of promotion. What is the profit like during promotion and when there is no promotion?
- Direct response method; this method is concentrating on having a way of getting response from the targeted audience and this response should be used to measure the effectiveness of promotion.

16.7 MEASURING THE EFFECTIVENESS OF PROMOTIONAL MIX

If an organisation cannot measure its effectiveness in terms of promotion, it cannot say precisely if the activities had been successful. For an organisation to measure the effectiveness of its promotional activities, this can be done in either of the following ways;

- Direct sales result; this method reveals the sales revenue for each amount input into promotion. That is, it measures the rate of sales to the expenses on promotion.
- Indirect evaluation; this method focuses on quantifiable indicators of effectiveness. For instance, the effectiveness is measured based on the organisation's study of the number of audience that actually heard about the product during the promotional activities.
- Returns method; this method is the work of Professor Don Schutz. He said promotional effectiveness promotion and when there is no promotion?
- Direct response method; this method is concentrating on having a way of getting

response from the targeted audience and this response should be used to measure the effectiveness of promotion.

16.8 SUMMARY

Every organization that must continue to survive in its operating environment must be able to adequately promote its product. For the organization to achieve its aim of profit making as a manufacturing organization, it must make sure that, its promotional activities achieve its aim of making the product acceptable and bought by the targeted market. The promotion of any product must be accessible to the people that the product will be useful for and at the same time, must be able to encourage new customers to purchase and repurchase the products.

In conclusion, every organization must have a proper and well monitor promotional activities and must be able to tailor it in such a way that it will increase its sales thereby increasing the profit of the organization.

16.9 SELF ASSESSMENT QUESTIONS

1. Define Sales Promotion.
2. State the importance of Sales Promotion from the point of view of manufacturers.
3. State the importance of Sales Promotion from the point of view of consumers.
4. List any six tools used in Sales Promotion
5. State the objectives of Sales Promotion
6. Explain the meaning of 'Sales Promotion'. Why is Sales Promotion necessary?
7. Explain any two techniques of Sales Promotion, with example.
8. State any two objectives of Sales Promotion.
9. Explain – “Price off offer” and “Free-Samples” as techniques of Sales Promotion.
10. Explain how Sales Promotion techniques help in promoting sales.

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