THE TAMIL NADU
Dr. AMBEDKAR LAW UNIVERSITY
(State University Established by Act No. 43 of 1997)
SCHOOL OF EXCELLENCE IN LAW
'Perungudi Campus', M.G.R. Salai, Perungudi, Chennai - 600 113.

FUNDAMENTALS OF MARKETING MANAGEMENT

HC5B

VI SEMESTER B.B.A.LL.B.

STUDY MATERIAL

By

Dr.A.Senthilkumar, M.B.A., M.Phil., Ph.D.
Assistant Professor,
Department of Inter-Disciplinary Studies
School of Excellence in Law
The TamilNadu Dr. Ambedkar Law University, Chennai

PREFACE

Students experience marketing through billboards, television commercials, and even in the cereal aisle at the grocery store. This course material on ***'Fundamentals of Marketing Management'*** with its engaging presentation of concepts will give students the ability to recognize how much marketing principles play a role in their day-to-day lives. With coverage of current marketing practices and exciting new features, this course material could help them better understanding of marketing management principles. Regular study and practice throughout a course leads to better outcomes for both students and professors. Hope this course material could satisfy both students and professors could serve their needs.

I am very much thankful for the opportunities given to me in my life to learn and update continuously in my life. I express deepest sense of thankfulness and also gratitude to the Honourable Vice-Chancellor of The Tamil Nadu Dr.Ambedkar Law University for providing the opportunity to prepare this course material.

I am grateful to the Registrar, Deputy Registrars, and all other members of the Management Committee for their encouragement and also for their support by providing facilities in par excellence with University to complete this course material work.

My sincere thanks are due to the Director(UG Courses) of School of Excellence in Law for providing me this opportunity.

Dr.A.Senthilkumar M.B.A., M.Phil., Ph.D.

Assistant Professor,

Department of Inter-Disciplinary Studies

School of Excellence in Law

The TamilNadu Dr.Ambedkar Law University, Chennai

FUNDAMENTALS OF MARKETING MANAGEMENT

HC5B

Course Outline

UNIT – I

Nature, Scope and Importance of Marketing - Functions and Problems - Modern Marketing Concepts - Marketing Environment and Marketing Information System.

UNIT – II

Consumer Behaviour - Consumer Buying Decision Process - Market Segmentation - Marketing Research and Marketing Mix - Classification of Products - Product Planning - Stages in New Product Development - Reasons for New Product Failure.

UNIT – III

Price Mix - Factors affecting Price of a Product - Kinds of Pricing - Pricing Policies - Channels of Distribution - Meaning, Importance and Nature - Selection of Distribution Channel - Marketing Middlemen - Functions and Type.Price Mix - Factors affecting Price of a Product - Kinds of Pricing - Pricing Policies - Channels of Distribution - Meaning, Importance and Nature - Selection of Distribution Channel - Marketing Middlemen - Functions and Type.

UNIT – IV

Promotion Mix - Advertising - Meaning, Importance, Types, Media Decisions - Personal Selling - Nature, Importance and Process - Sales Promotion.

UNIT – V

Marketing of Services - Characteristics - Classification of Services - Marketing Mix for Services - Customer Relationship Management - Concept, Nature and Managing Relationship.

CONTENTS

UNIT 1

FUNDAMENTALS OF MARKETING MANAGEMENT

1.1 INTRODUCTION

In the present day world 'marketing' is all pervasive. We are exposed to marketing of products, services and ideas almost every day. The study of marketing is very interesting in the sense that every body of us have performed marketing activities in one form or other. For example, during college days, working part time at a fast food restaurant to help fund one's own education or persuading parents to buy a new music system. When a sales person engaged in selling a T.V., a doctor treats a patient or the district administration asks its people to get their vehicles checked for pollution, everybody is marketing something to the target audience. Marketing is essentially about marshalling all the resources of an organisation to meet the needs of the consumers on whom the entire organisation depends. Although each of these examples are different, they all have something in common; they consist a variety of marketing activities. Many definitions have emerged to describe marketing activities.

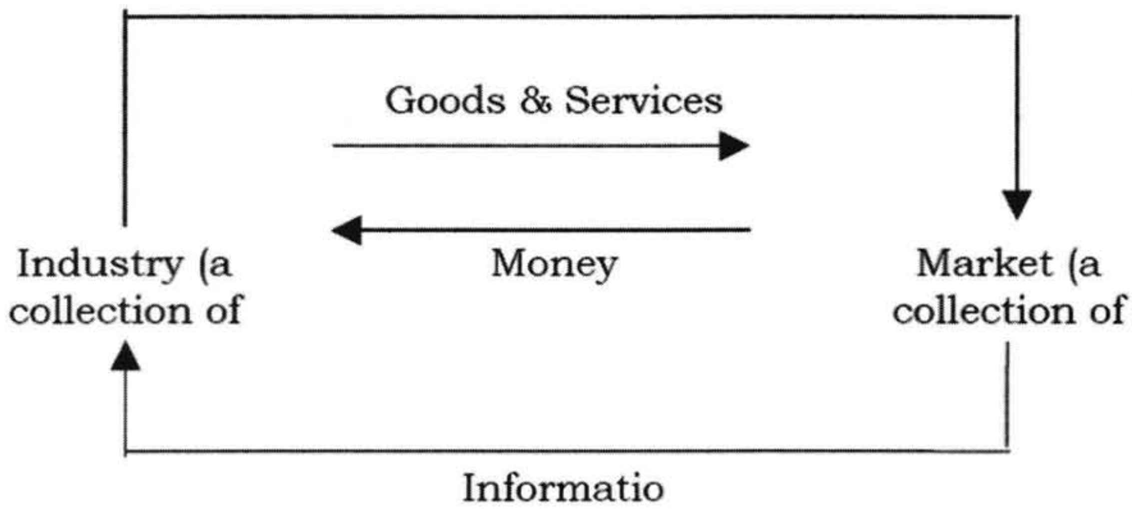
1.2 DEFINITIONS AND MEANINGS

According to American Marketing Association "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives".

Ramaswamy and Namakumari defines marketing "It is the total system of interacting business activities designed to plan, promote and distribute need satisfying products and services to existing and potential consumers".

Philip Kotler defines marketing "It is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others". This definition of marketing is the most widely accepted by marketing educators and practitioners. It highlights the core concepts like needs, wants, demands, products, value, cost, and satisfaction.

So, we can conclude that marketing is the process of identifying the needs of the target audience and provide the products accordingly in exchange of some value. This process mainly consists of two parties. On the one side, marketers are there who go to resource markets (raw material markets, labour markets, money market, and so on) to buy these resources and shape them into goods and services for their target consumers. On the other hand, consumers are there who provide vital information to the marketers besides money for using various products and services. This simple process can be understood by the figure given below:



Therefore, marketing highlights the satisfaction of consumers needs and wants and it has become evident that knowing consumer needs and desires is a road to success for the marketers. But the scenario in marketing has not been the same as we see today. Therefore, it is imperative to go through the various orientations of marketing.

DIFFERENCE BETWEEN MARKETING AND SELLING

The terms 'marketing' and 'selling' are related but not synonymous. 'Marketing' as stated earlier, emphasises on earning profits through customer satisfaction. In marketing, the focus is on the consumer's needs and their satisfaction. 'Selling' on the other hand focuses on product and emphasises on selling what has been produced. In fact it is a small part of the wide process of marketing wherein emphasis is initially on promotion of goods and services and eventually on increase in sales volume.

Marketing has long term perspective of winning over consumer loyalty to the product by providing him maximum satisfaction. However, selling has short-term prospective of only increasing the sales volume.

In marketing, the consumer is the on king whose needs must be satisfied. In selling, the product is supreme and the entire focus is its sale. Marketing starts before production and continues even after the exchange of goods and services has taken place. It is so because provision of after sale service is an important component of marketing process. Selling starts after the production and ends as soon as the exchange of goods and services has taken place.

Marketing	Selling
Marketing includes selling and other activities like various promotional measures, marketing research, after sales service, etc.	Selling is confined to persuasion of consumers to buy firm's goods and services.
It starts with research on consumer needs, wants, preference, likes, dislike etc., and continues even after the sales have taken place.	Selling starts after the production process is over and ends with the handing over the money to the seller by the buyer.
Focus is on earning profit through maximisation of customers' satisfaction.	Focus is on earning profit through maximisation of sales.
Customer's need is the central point around whom all marketing activities revolve.	Fragmented approach to achieve short term gain.
It is an integrated approach to achieve long term goals like creating, maintaining andretaining the customers.	All activities revolve around the product that has been produced.
Stresses on needs of buyer.	Stresses on needs of the seller.

1.3 MODERN MARKETING CONCEPTS

The concept of marketing has evolved through different stages from production orientation to societal orientation. The modern concept of marketing highlights satisfaction of consumer needs and wants whereas the societal concept cares for the well being of the consumer as well as that of society. Let's discuss these orientations/ philosophies/concepts one by one.

1.3.1 The Production Concept

It is one of the oldest philosophies in business. This concept views that consumers will prefer those products that are widely available and cheaper in cost. The organizations are production-oriented in nature and try to achieve high production efficiency and emphasize on wider supply of goods and services. This concept began in 1600s with the colonization of America and continued till the later part of 19th century. In those days, primary motive of the organizations was to make the product available to consumers and to kept the price low.

In those days, the demand of products used to exceeds the supply. In this particular situation consumers were more interested in obtaining the products rather than its quality and features. The producers used to enjoy the huge economies of scale and it was very difficult for the new entrant to enter into the market as the existent marketers used to enjoy a kind of monopoly situation. Henry Ford was the pioneer in the 1900s to expand the automobile market on the basis of production concept by providing his consumers only a single version of car i.e. T-model in black colour. But the marketers, after a certain period of time, could not get the best of consumer patronage. The reason was that the consumers were motivated to seek varieties while purchasing. As a result, the production concept fails to serve as the right marketing philosophy for the enterprises.

1.3.2 The Product Concept

The product concept assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features. A product orientation leads a company to try constantly to improve the quality of its product. Under this concept, it is believed by the managers that consumers prefer well-made products and can appreciate better quality and performance. Organizations that are devoted to the product concept of marketing, believe that consumers would automatically favour for products of high quality. The managers of these organizations spend considerable energy, time and money on research and development to introduce quality and variations in products. However, some of the managers are caught up in a love affair with their product and do not even realise that the product is not required in the market. This particular situation is described as 'marketing myopia' by the great philosopher of marketing Professor Theodore Levitt. Marketing myopia means a wrong and crooked perception of marketing and a short-sightedness about business. It is in form of excessive attention to the quality of the product thereby leaving other aspects without any due care. General Motors designed a beautiful small-sized car with each and every attribute in it but that was a total failure because at that time, that was not required by the consumers. The marketers can add any kind of attribute to their products but if the consumers are not aware of regarding the availability, how can they go for purchasing that particular product. This phenomenon gave birth to another concept i.e. selling concept.

1.3.3 The selling concept/sales concept

The selling concept is based on the assumption that consumers are unlikely to buy a product unless and until they are actively and aggressively convinced to do so. The idea was evolved through the views of may academicians and practioners that unless you make your consumers aware about the product or if he/she is not persuaded, the consumers may develop a tendency to ignore your products. This philosophy maintains the view that an organization can not expect its products to get picked up automatically by the customers. The organization has to put certain amount of efforts consciously to push its products. In this concept, the firm makes the product first and then spells out how to sell it and make profit. Aggressive advertising, personal selling, large-scale promotional instruments like discounts and free gifts etc. are normally employed by the organizations to rely on this concept. The problem with the selling orientation is that it does not take consumer satisfaction into account. In this situation, when consumers are compelled to buy products that they don't need and consequently unhappiness is likely to be communicated through negative word-of-mouth that may dissuade other potential consumers from making a similar purchase. Furthermore, when the product or service is not in a position to fulfil the consumers' needs, there is a remote possibility of the repeat purchase.

1.3.4 The marketing concept

In the 1950s, some marketers started realising that they could sell more products with more ease and comfort, if they produced only those products which already had a place in the minds of the consumers. Instead of trying to sell them the products that had already produced, marketing-oriented firms strived to produce only those products which have been produced according to the needs of the consumers. The marketing concept emphasis that an organization should strive to satisfy the needs of the consumers by identifying them and then produce the products accordingly through a co-ordinated set of activities. Satisfying the customer should be the major focus of all the organisational activities. Here instead of focusing on quality or sale, consumer's need and desired satisfaction become the premise which is a must delivered phenomenon to be successful in the era of competition. To identify unsatisfied consumer needs, organisations had to go for extensive marketing research. While doing so, it was discovered that consumers were highly complex individuals, possessing a wide variety of innate and acquired needs. Hence, the study of consumer needs has become the basis of another discipline also i.e. consumer behaviour.

1.3.5 The societal marketing concept

As our society moves through the 1990s, the marketing concept continues to take on new meanings. The old and traditional concept of marketing has emphasised and focused on the satisfaction of consumers' needs and wants to meet the objectives and goals of the organisations. But the ever changing scenario in the field of marketing brought in a third consideration and that is the welfare of society. In this philosophy, emphasis is being placed on how certain marketing activities and efforts affect society as a whole in the era of limited resources, environmental degradation and global competition. This philosophy puts a question mark whether satisfying consumers' need serve the long term intervals of the society or not. Hence, the new concept emerged as the societal marketing concept where it is emphasised that besides satisfying consumer needs, long run societal welfare has to be considered by the marketers. The marketers have to adopt social and ethical considerations into their marketing practices. They must make a balance between the different criteria of organization's profits, consumer's satisfaction and public interest as a whole.

1.3.6 Holistic marketing concept

Holistic marketing concept is a part of the series on concepts of marketing and it can be defined as a marketing strategy which considers the business as a whole and not as an entity with various different parts.

According to holistic marketing concept, even if a business is made of various departments, the departments have to come together to project a positive & united business image in the minds of the customer. Holistic marketing concept involves interconnected marketing activities to ensure that the customer is likely to purchase their product rather than competition.

Example of Holistic marketing concept

An organization will have different departments like sales and marketing, accounting and finance, R&D and product development and finally HR and operations. Thus, if you want to implement a holistic marketing concept in your organization, you need to ensure that R&D and product development take the feedback from marketing and sales to launch the product which is most likely to attract customers.

On the other hand they need to work closely with accounting and finance to find out the exact budget for the project. Sales and marketing need to communicate to the HR the right kind of people that they need, and finally, admin and operations need to devise a plan to retain these people.

Thus, in the above manner, you get the right product at a right price with the right profits. Along with this you get the right people who will market your product in the right manner.

If you do all these things, you are sure to get the right customer to your doorstep. This is the complete essence of holistic marketing concept. By doing the right things together as an organization, your product and brand stands a far better chance in being successful than compared to these elements working individually without any holistic vision.

Today, customer mindset is changing. Wealth is becoming lesser and debt is high. Thus customer purchases are being made after lots of thinking. Customers search offline as well as online for the right product and have good knowledge of the product before they purchase. It is likely that the customer has already made a purchase decision even before he enters the showroom. Thus holistic marketing concept is needed at this hour to ensure that the customer chooses your product over everyone else.

A key driver of Holistic marketing is marketing communications. The job of marketing communications is to send the right message to the target group. By approaching various customer contact points, a uniform message can be sent to the customer. This consistency is likely to raise confidence in the customer for your company thereby raising the brand image.

Samsung is an example of Holistic marketing where the products are developed keeping the customer in mind, The showrooms are branded in the proper manner, the customer service is polite and the service is fast. Thus Samsung is an excellent example of Holistic marketing.

Some key concepts which are important in Holistic marketing are

Internal marketing – Marketing between all the departments in an organization
Relationship marketing – Building a better relationship with your customers, internal as well as end customers is beneficial for holistic marketing.
Performance marketing – Driving the sales and revenue growth of an organization holistically by reducing costs and increasing sales.
Integrated marketing – Products, services and marketing should work hand in hand towards to growth of the organization.

Thus Holistic marketing is a concept which is organization wide and helps the growth of the organization with the right marketing of the product. With the rise in competition and the limits placed on customers with finite financial resources, decisions will be scarce and as an organization we have to implement holistic marketing so that decisions are made by customers in our favour.

1.4 NATURE OF MARKETING

(a) Marketing is customer oriented: Marketing begins and ends with the customer. The job of the marketing is not only to satisfy the consumer but even to delight him/her. All the activities of an organization must be directed and focussed towards the consumer. The organisations can not ignore emerging technologies, materials, instruments and new ways of organizing the things but with the considerations of consumers. Therefore, marketers must allow their customers to dictate product specifications and standards regarding quality. This job can only be performed if consumers' needs are continuously monitored.

(b) Marketing is the delivery of value: when a consumer derives satisfaction from a particular product on the basis of product's overall capacity and performance is known as value in consumer's perception. The consumers today make a trade-off between cost and benefit of the product and they consider the product's value and price before making a decision. At times they will have to give up a particular product to obtain the other one since first one involves a big cost. Thus, he will choose the product that gives him more value per rupee. According to De Rose, "Value is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership, and use". Thus, the organisations' strategies must be aimed at delivering greater customer value than that of their competitors.

(c) Marketing is a net-work of relationships: The customer is at the centre-stage and focus of all marketing activities. From 1990s onwards the focus is not only to identify the needs and delivers it to customers but is shifting towards relationships marketing. According to Philip Kotler "Relationship marketing is the practice of building long-term satisfying relations with key parties like customers, suppliers and distributors in order to retain their long-term preference and business". The marketers who are smart enough to maintain their relationships by delivering high quality products in time, better services and fair prices in comparison with their counterparts.

(d) Marketing as a separate discipline: There used to be the days when marketing was treated as a part of economics. But now it is recognised as a full-fledged separate discipline. It is not the time when we just talk of sales and purchase or the quality of the product or the monopoly. With the emergence of modern marketing concept, the issue of green marketing and environmental protection have come up and regarding that various laws have been framed. When we talk of knowing consumer behaviour, it leads us to entirely a new world of human behaviour and for that matter, a marketer must possess the knowledge of psychology. Why a particular product is preferred by a consumer and other declines it to use? The answer has in the study of culture.

Therefore, marketing has emerged as a separate discipline and got its strength from the related areas like law, psychology, anthropology, sociology and statistics etc.

(e) Marketing is business: When it is said that marketing is business, the contention is that the all activities starts from marketing i.e. through knowing consumer and end up on the consumers i.e. knowing consumer dissonance. It means the entire business revolves round the marketing. According to Peter F. Drecker "Marketing is so basic that it can not be considered as a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. Business success is not determined by the producer but by the customer". So, business seeks customers because they are the business providers and ultimately marketing is business.

1.5 SCOPE OF MARKETING

Marketing management has become the subject of growing interest for everybody in today's scenario. Therefore, it is of utmost importance to discuss the scope of marketing. It can be understood in terms of functions that a marketing manager performs. Let's discuss some of the issues that are undertaken by a marketing manager so as to elaborate the scope of marketing.

(a) Marketing Research: While sitting in a company's office, no one can identify the needs and wants of the consumers. For that purpose, research has to be carried out in analysing the consumer's needs, their tastes and preferences, brand image of the product and effectiveness of certain advertisements etc. These are the major areas of research where a marketing manager requires information to be successful in market because by knowing these information, he takes timely, accurate and better decision. The marketing research not only gather information regarding certain problem but also suggests corrective and action oriented steps.

(b) Product Planning and Development: A product is a bundle of utility offered to consumers to satisfy their needs. Through marketing research, a marketer is able to know the needs of the consumers but what kind of storage and transportation is required, it depends upon the nature of the product. Product must be according to the requirement and must also be according to the paying capacity of the consumers. There are number of decisions involved in this process like supplier of raw materia, packaging, storage and distribution etc.

(c) Pricing: One of the important functions of a marketing manager is to determine the price of a product. Price is always influenced by the cost, services attached to it, government policy, competitors prices and marketer's requirement of profit margin.

A good pricing policy is a significant factor to attract the consumers because price is the only 'p' of marketing mix which generates revenue for the organisations.

(d) Financing: Financing of consumer purchasing has become an important part of modern marketing. The marketing manager plays an important role in the finance department in this regard and consequences thereto. In the era of global competition when there is fierce competition and so many alternatives are available to a customer, certain finance schemes have become an important device to increase the volume of sales. Since the interest rates has come down significantly, financing facilities have taken the shape of lubricants that facilitates the operation of the marketing machine. In the era when the world economy is passing through a great recession, these facilities help generating revenue for the respective organisations and consequently are helping the economy to revive back and for the consumers those who can afford to realise their dreams of having a colour TV or small car, can fulfill their dreams through these instruments of marketing.

(e) Insurance: When goods and services are exchanged from one hand to another, from one place to another place, a large number of risk factors are involved. Marketing has now spread its arms to cover these risks through insurance activities. National calamities like flood and earthquake or damage of goods and services due to fire, theft or accident, may cause big losses and can hamper the entire business. The various insurance companies provide the protection against these risks by getting a nominal amount of premium in return.

(f) Advertising: In this era of competitive world, advertising has become an important instrument in the hands of marketers. It makes the consumer aware about the product, makes him curious about the product and then force him for action and thus promote the sale. According to American Marketing Association "Advertising is a paid form of non-personal presentation by an identified sponsor". It is a non-personnel link between a marketer and the consumer. Through advertising marketers are able to position their products in the minds of the consumer through various media like newspapers, magazines, television, radio, hoardings, window display and internet etc.

Apart from the above areas there are many more business areas where marketing activities have these vast scope but besides business areas, marketing has its scope in the non-business or non-profit sector also. A student who tries to occupy the front seat is also engrossed in doing marketing. Churches, hospitals, colleges and universities are the other non-profit sector where marketing activities are seriously performed.

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

The functions of marketing 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.

We must be able to design effective strategies to communicate our product availability and features to our 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 deferent sizes or quantities for different market segment while maintaining your product standard.

(7)Pricing function: you perform the function of pricing on your product offerings by designing effective pricing systems base 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 costumers.

(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 consumptions 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 costumers.

(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 organization renders 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.

1.7 PROBLEMS OF MARKETING

1) **Low Marketing Education:** A well informed and educated people tend to be prosperous investors and consumers. This is because they will imbibe the culture and tenets of marketing. But mark ting education is still generally low in developing countries like India. Many policy makers and managers of large organizations still do not know what marketing is all about. Even when some people acquire higher degrees in the field of marketing and business administration, they come out doing the contrary, instead of practicing the true marketing concept or relationship marketing for the benefit of the society as a whole. In situations like that, marketing cannot contribute meaningfully to the development of these economies.

2) **Preferences for Foreign Products**: Because of the development process of most Asian can countries and their inability to produce most goods (especially technologically sophisticated products), they tend to prefer buying from the more industrialized countries. This makes the development process of local industries and commercial life of the people more impoverished. Developing countries constitute 71% of the world's population, but only contribute about 12% the world's industrial production that often boost marketing in these economies. Why should this be the

case, and who is to be blamed for the structural discrepancy and imbalance? What actions could these countries adopt to accelerate the pace of industrialization and development in order to boost the tempo of marketing. It is generally felt that locally-made goods are only for the poor, uneducated, and those who are not fashionable, while the consumption of imported goods and services is taken as a status symbol for the elite and affluent in developing countries. Even when some countries products are of less quality when compared to similar local brands. This situation makes the growth of marketing and satisfaction of consumers locally difficult.

3) **Low Patronage for Non-essential Products and Services**: The majority of the people in developing countries are poor, and their per capita income is below average. This makes it imperatively difficult for them to buy much of luxury goods. Rather their purchases and expenditure are directed towards satisfying the basic needs for food, clothing, and accommodation. Non essential goods and services receive low patronage. Therefore low patronage for certain category of goods do not present attractive marketing opportunities that will ginger investment overture.

4) **High cost of production**: Marketing has suffered dearly in most developing countries because virtually all production techniques are imported from the developed world. The cost of acquiring equipment and other inputs used for production locally to boost marketing is sometimes extremely exhaubitant for the poor developing countries to buy and finance. To worsen matters, the bulk of Indian production is mainly in agricultural products that contribute less to GNP or Net National income of their various economies. This is because these products are sold at lesser prices in the world market. The income generated from them can only buy little from all that is needed to encourage domestic production, in order to enhance marketing. Where it is possible to import the equipment, the production techniques and skillful manpower requirement is sometimes too expensive to bear, hence the high cost of some local products when compared to the same foreign brands. This reason strengthens consumer's preference for imported products and results to low demand for locally made goods. This affects the marketing potentials of the home industries and equally has an adverse effect on macro- marketing of developing countries.

5) **Inadequate Infrastructures**: Most developing countries are very poor, such that some of them depend on aids from abroad. It invariable becomes difficult for some of them to provide the necessary infrastructures that would engender and propel smooth marketing scenario. Coupled with the poor road network and transport facilities, poor communication, distressed banks, malfunctioning ports and trade zones, among others. Apart from the deliberate embezzlement by some top government officials, the

government is yet to provide these infrastructures, and this has made it difficult for marketing activities to be performed effectively and efficiently. Moreover, the inadequacy and poor state of these infrastructures contribute to high cost of doing business in developing countries. The inability or unwillingness of some developing countries to provide these necessary infrastructural facilities that will facilitate the performance of marketing in these economies is in itself a major problem worthy of note.

6) **Few Competitive Opportunities**: Lucrative competitive businesses are not much in developing countries. In most developed societies economic policies have long assumed that competition among businesses is the most efficient method of producing and marketing goods and services. Proponents of this philosophy contend that it results in maximum productivity and forces inefficient organizations and businesses to terminate their operations. It gives the consumer or buyer an opportunity to choose from several competing companies rather than buy from a monopolist, and stimulates creativity in seeking solutions to marketing problems especially in developing countries where such problems are more. But marketing in the true sense is usually at its best where and when there is real competition. Unfortunately, competition is at the lower ebb in developing countries, this might not be unconnected with the level of poverty and underdevelopment in the continent. But developed countries like USA, UK, Japan and emerging economies in Asia are competing amongst themselves in the manufacturing and supply of different types of products to newly found markets. This is because they have the technology and financial backing.

7) **Over- Regulation of Business by Government:** Another major problem that has be-deviled the performance of marketing has been the issue of government regulations and interferences in the activities of businesses and corporate firms. Locally, state governments reserve special areas where businesses are not supposed to operate and if structures, housing corporate firms are erected there, they are bound to be demolished. In developing countries, it is usual to find governments promulgating laws to regulate the prices of consumables, fuel, transport fares, exchange values of national currencies, accommodation etc. The haste to get their economies developed and quickly catch up with advanced Nations often lead developing countries to over-regulate business activities and restrict the activities of free enterprise. This makes marketing difficult, since decisions cannot be taken from a purely economic perspective.

8) **Political Instability and Civil Unrest**: Rapid economic growth and development of marketing techniques cannot be achieved or attained in an environment of political and social instability or political hostility. Political stability implies an orderly system

for a positive change in governance and peaceful co- existence amongst the citizenry that, poses a great challenge to marketing. Therefore, marketing does not thrive where there is political instability and insecurity or civil disturbances.

1.8 THE MARKETING ENVIRONMENT

Managers face difficult and exciting challenges today. A global economy in which world-class quality is the ticket to ride, increased diversity in the work force, and calls for more ethical conduct promise to keep things interesting. The challenge for today's and tomorrow's managers is to be aware of specific changes, along with the factors effecting such changes and their likely impact on the business organisations. The world is shrinking rapidly where cross-cultural skills are a must. Coverage of product and service quality has been significantly increased. Diversity among consumers has also increased by leaps and bounds where managers are challenged to manage this diversity by keeping themselves abreast of the latest happenings. Managers who know more than just management are required today. Those who can value people, communicate well, solve problems, see the big picture and work hard are the precious human material wanted by the organisations. A manager, who can visulalise these changes and understand the dynamic character of marketing environment can survive in the industry.

1.8.1 DEFINITIONS AND MEANINGS

It refers to all external forces which have a bearing on the functioning of the business. According to Barry M. Richman and Melvgn Copen "Environment consists of factors that are largely if not totally, external and beyond the control of individual industrial enterprise and their managements. These are essentially the 'givers' within which firms and their management must operate in a specific country and they vary, often greatly, from country to country".

William F. Glucck defines marketing environment "as the process by which strategists monitor the economic, governmental, market, supplier, technological, geographic, and social settings to determine opportunities and threats to their firms".

According to Skinner "Marketing environment consists of all the forces outside an organisation that directly or indirectly influence its marketing activities, includes competition, regulation, politics, society, economic conditions, and technology".

From the above definitions we can extract that marketing environment consists of factors that are internal and external which may pose threats to a firm or provide opportunities for exploitation.

In business all the activities are carried out to satisfy the needs of the consumers. In other words, it is an activity carried out by the people for the people which mean people occupy a central place around which all the activities revolve. It means business is people and a human is always a dynamic entity who believes in change and it may be right to say that the only certainty today is change. It poses a huge challenge for today and especially tomorrow's businessmen and managers to be aware of specific changes so as to keep themselves abreast of the latest happenings in the field of business to ensure their survival and sustainability in the market. Therefore, the study of marketing environment is of utmost importance for the managers and practitioners.

1.9 CONSTITUENTS OF MARKETING ENVIRONMENT

Every business firm consists of a set of internal factors and it also confronts with a set of external factors. The following figure gives a more clear and comprehensive picture about the different factors.

Marketing Environment

- **Internal Environment**
  - Human Resources & Internal Relationships
  - Company Image
  - Management Structure
  - Physical Assets
  - R & D & Technological Capabilities
  - Marketing Resources
  - Financial Factors
- **External Environment**
  - ***Micro Environment***
    - Consumers
    - Suppliers
    - Competitors
    - Middlemen
    - Publics
  - ***Macro Environment***
    - Economic Factors
    - Political & Govt. Factors
    - Demographic Factors
    - Socio-cultural Factors
    - International Factors
    - Natural Factors

1.9.1 Internal Environment

There are number of factors which influence various strategies and decisions within the organisation's boundaries. These factors are known as internal factors and are given below:

(a) Human Resources: It involves planning, acquisition, and development of human resources necessary for organisational success. It points out that people are valuable resources requiring careful attention and nurturing. Progressive and successful organisations treat all employees as valuable human resources. The organisation's strengths and weaknesses are also determined by the skill, quality, morale, commitment and attitudes of the employees. Organisations face difficulties while carrying out modernisation or restructuring process in form of resistance of the employees. So, the issues related to morale and attitudes should seriously be considered by the management. Moreover, global competitive pressures have made the skilful management of human resources more important than ever. The support from different levels of employees helps the management in making decisions and implementing them.

(b) Company Image: One company may issue shares and debentures to the public to raise money and its instruments are over subscribed while the other company make seek the help of different intermediaries like underwriters to generate finance from the public. This difference underlines the distinction between the images of the two companies. The image of the company also matters in certain other decisions as well like forming joint ventures, entering contracts with the other company or launching new products etc. Therefore, building company image should also be a major consideration for the managers.

(c) Management Structure: Gone are the days when business was carried out by the single entrepreneur or in the shape of partnerships. Now it has reshaped itself into the formation of company where it is run and controlled by the board of directors who influence almost every decision. Therefore, the composition of board of directors and nominees of different financial institutions could be very decisive in several critical decisions. The extent of professionalisation is also a crucial factor while taking business decisions.

(d) Physical Assets: To enjoy economies of scale, smooth supply of produced materials, and efficient production capacity are some of the important factors of business which in turn depends upon the physical assets of an organisation. These factors should always be kept in mind by the managers because these play a vital role in determining the competitive status of a firm or an organisation.

(e) R & D and Technological Capabilities: Technology is the application of organised knowledge to help solve problems in our society. The organisations which are using appropriate technologies enjoy a competitive advantage over their competitors. The organisations which do not possess strong Research and Development departments always lag behind in innovations which seem to be a prerequisite for success in today's business. Therefore, R & D and technological capabilities of an organisation determine a firm's ability to innovate and compete.

(f) Marketing Resources: The organisations which possess a strong base of marketing resources like talented marketing men, strong brand image, smart sales persons, identifiable products, wider and smooth distribution network and high quality of product support and marketing support services make effortless inroads in the target market. The companies which are strong on above-mentioned counts can also enjoy the fruits of brand extension, form extension and new product introduction etc. in the market.

(g) Financial Factors: The performance of the organisation is also affected by the certain financial factors like capital structure, financial position etc. Certain strategies and decisions are determined on the basis of such factors. The ultimate survival of organisations in both the public and private sectors is dictated largely by how proficiently available funds are managed.

So, these are some of factors related to the internal environment of an organisation. These factors are generally regarded as controllable factors because the organisation commands a fair amount of control over these factors and can modify or alter as per the requirement of the organisation.

1.9.2 External Environment

Companies operate in the external environment as well that forces and shape opportunities as well as threats. These forces represent "uncontrollable", which the company must monitor and respond to. SWOT (Strengths, weaknesses, opportunities and threats) analysis is very much essential for the business policy formulation which one could do only after examination of external environment. The external business environment consists of macro environment and micro environment.

(A) Micro Environment

It is the company's immediate environment where routine activities are affected by the certain actors. Suppliers, marketing intermediaries, competitors, customers and the publics operate within this environment. It is not necessary that the micro factors affect all the firms. Some of the factors may affect a particular firm and do not disturb the other ones. So, it depends on what type of industry a firm belongs to. Now let's discuss in brief some of the micro environmental factors.

(a) Suppliers: The supplier to a firm can alter its competitive position and marketing capabilities. These can be raw material suppliers, energy suppliers, suppliers of labour and capital. The relationship between suppliers and the firm epitomises a power equation between them. This equation is based on the industry conditions and the extent to which each of them is dependent on the other. For the smooth functioning of business, reliable source of supply is a prerequisite. If any kind of uncertainties prevail regarding the supply of the raw materials, it often compels a firm to maintain a high inventory which ultimately leads to the higher cost of production. Therefore, dependence on a single supplier is a risky proposition. Because of the sensitivity of the issue, firm should develop relations with different suppliers otherwise it could lead to a chaotic situation. Simultaneously firms should reduce the stock so as to reduce the costs.

(b) Customers: According to Peter F. Drucker "the motive of the business is to create customers", because a business survives only due to its customers. Successful companies recognise and respond to the unmet needs of the consumers profitably and in continuous manner. Because unmet needs always exist, companies could make a fortune if they meet those needs. For example it is the era when we could witness the increasing participation of women in the different jobs which has already given birth to the child care business, increased consumption of different household utilities like microwave ovens, washing machines and food processors etc. A firm should also target the different segments on the basis of their tastes and preferences because depending upon a single customer is often risky. So, monitoring the customer sensitivity is a pre condition for the success of business.

(c) Competitors: A firm's products/services are also affected by the nature and intensity of competition in an industry. A firm should extend its competitive analysis to include substitutes also besides scanning direct competitors. The objective of such an analysis is to assess and predict each competitor's response to changes in the firm's strategy and industry conditions. This kind of analysis not only ensures the firm's competitive position in the market but also enables it to identify its major rival in the industry. Besides the existing competitors, it is also necessary to have an eye on the potential competitors who may enter the industry although forecasting of such competitors is a difficult task. Thus an analysis of competition is critical for not only evolving competitive strategy but also for strengthening a firm's capabilities.

(d) Marketing Intermediaries: Marketing intermediaries provide a vital link between the organisation and the consumers. These people include middlemen such as agents or brokers who help the firm to reach out to its customers. Physical distribution entities such as stockists or warehouse providers or transporters ensure the smooth supply of the goods from their origin to the final destination. There are certain marketing research agencies which assist the organisation in finding out the consumers so that they can target and promote their products to the right consumers.

Financial middlemen are also there who finance the marketing activities such as transportation and advertising etc. A firm should ensure that the link between organisation and intermediaries is appropriate and smooth because a wrong choice of the link may cost the organisation heavily. Therefore, a continuous vigil of all the intermediaries is a must.

(e) Publics: an organisation has an interface with many publics during its life time. According to Cherrunilam "A public is any group that has an actual or potential interest in or impact on an organisation's ability to achieve its interests". The public includes local publics, media and action groups etc. The organisations are affected by certain acts of these publics depending upon the circumstances. For example if a business unit is establishment in a particular locality then it has to provide employment to the localites at least to the unskilled labour otherwise local group may harm that very business or they may interrupt the functioning of the business. The media has also to be taken into confidence because in turned hostile they may tarnish the image of the organisation unnecessarily. Simultaneously media may disseminate vital information to the target audiences. Action groups can also create hindrances in the name of exploitation of consumers or on the issue of environmental pollution. The business suffers due to their activities.

Therefore, their concerns should also be kept in mind. Albeit, it is wrong to think that all publics are threats to the business yet their concerns should be considered up to a certain level.

(B) Macro Environment

With the rapidly changing scenario, the firm must monitor the major forces like demographic, economic, technological, political/legal and social/cultural forces. The business must pay attention to their casual interactions since these factors set the stage for certain opportunities as well as threats. These macro factors are, generally, more uncontrollable than the micro factors. A brief discussion on the important macro environmental factors is given below:

(a) Demographic Environment: The first macro environmental factor that businessmen monitor is population because business is people and they create markets. Business people are keenly interested in the size and growth rate of population across the different regions, age distribution, educational levels, household patterns, mixture of different racial groups and regional characteristics. For ensuring the success of the business incessant watching of these demographic factors is a prerequisite. To enter into a particular segment, a marketer needs to understand composition of that segment with respect to different demographic factors in that very segment so as to decide the optimal marketing mix and also take certain strategic decisions related to it. For example, if the youth form a large proportion of the population, it is but natural for firms to develop their products according to the requirement of this group. Besides the age, it is also necessary to break up population according to sex-wise and also the role of women. Today we can observe that more and more women have taken to work and professions and hence it can be seen that many time saving appliances are available in the market. Each gender group has different range of product and service needs and media and retail preferences, which help marketers to fine-tune their market offers.

There is yet another dimension of population changes which a businessman needs to address. For example, occupation and literacy profile of the targeted segment. The higher literacy level will imply a more demanding consumer as he is in the touch of the various media which acquaint him with information, and on the other hand low literacy make the marketers look for other method of communication. The occupation of the population also affects the choice of the products and media habits. Any significant irrigation of the population from one area to another, rural to urban, is another important environmental factor which calls for the marketer's attention. For example, the movement from north-India to South-India will reduce the demand for warm clothing and home heating equipment on the one hand and will increase the demand for air conditioning on the other hand. So, the companies that carefully analyse their markets can find major opportunities.

(b) Economic Environment: Besides people, markets require purchasing power and that depends upon current income, savings, prices, debt and credit facilities etc. The economic environment affects the demand structure of any industry or product. The following factors should always be kept in mind by the business people to determine the success of the business.

(i) Per capita income

(ii) Gross national product

(iii) Fiscal and monitory policies

(iv) Ratio of interest changed by different financial institutions

(v) Industry life cycle and current phase

(vi) Trends of inflation or deflation

Each of the above factors can pose an opportunity as well as threat to a firm. For example, in an under-developed economy, the low demand for the product is due to the low income level of the people. In such a situation a firm or company can not generate the purchasing power of the people so as to generate the demand of the products. But it can develop a low priced product to suit the low income market otherwise it will be slipped out from the market. Similarly, an industry gets a number of incentives and support from the government if it comes under the purview of priority sector whereas some industries face tough task if they are regarded as belonging to non-essential or low priority sectors.

In the industry life cycle, timing is every thing when it comes to making good cycle-sensitive decisions. The managers need to make appropriate cutbacks prior to the onslaught of recession because at that time sales are bound to decline which leads to increasing inventories and idle resources and that is costly. On the other hand, business people cannot afford to get caught short during a period of rapid expansion. This is where accurate economic forecasts are a necessity and therefore, a manager must pay careful attention to the major economic changes.

(c) Technological Environment: Technology is a term that ignites passionate debates in many circles these days. According to some people technology have been instrumental in environmental destruction and cultural fragmentation whereas some others view that it has effected economic and social progress. But no doubt, it has released wonders to the world such as penicillin, open-heart surgery, family planning devices and some other blessings like automobile, cellular phones and internet services etc. It has also been responsible for hydrogen bomb and nerve gas. But the businesses that ignored technological developments, had to go from the world map. For example, in India, cars like Ambassador and Premier had to go from the scene because of obsolete technology. Likewise, containerised movement of goods, deep freezers, trawlers fitted with freezers etc. have affected the operations of all firms including those involved in seafood industry. Now it has been ensured that perishable goods can be transported in a safer manner. Explosion in information technology has made the position of some firms vulnerable. The life cycles of the products have reduced and expectations of the consumers are becoming higher and higher due to all these technological changes. To cope up with this kind of scenario, a continuous vigil of the happenings and adequate investment in R & D needs to be earmarked by the marketer. Marketers must also be aware of certain government regulations while developing and launching new products with latest technological innovations.

(d) Political/Legal Environment: Business decisions are strongly affected by developments in the political and legal environment. This environment consists of laws, regulations and policies that influence and limit various organisations. Sometimes these laws create opportunities for the business but these may also pose certain threats. For example, if the government specifies that certain products need mandatory packaging then it will boost the cardboard and packaging companies but it will add to the cost of the product. Regulations in advertising, like a ban on advertisement of certain products like liquor, cigarettes and pan masalas and hoarding of food products, gas and kerosene are the reality of today's business. Business legislations ensure specific purposes to protect business itself as well as the society from unfair competitions; to protect consumers from unfair business practices and to protect the interest of the society from unbridled business behaviour. In India business is regulated through certain laws like Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act), Foreign Exchange and Regulation Act, 1973 (FERA), Partnership Act 1932, Consumer Protection Act, 1986 (CPA), and Companies Act, 1956 etc. A businessman needs to understand various policies and political ideologies because these have a profound impact on the functioning and success of the business.

(e) Social-cultural Environment: Society shapes the beliefs, values, norms, attitudes, education and ethics of the people in which they grow up and these factors exercise a great influence on the businesses which by far are beyond the company's control. All these factors are classified as social-cultural factors of the business. The buying and consumption pattern of the people are very much determined by these factors and cost of ignoring the customs, tastes and preferences etc. of the people could be very high for a business. Consumers depend on cultural prescriptions to guide their behaviour, and they assume that others will behave in ways that are consistent with their culture. Culture unites a group of people in a unique way and support the group's unity. As consumers, people expect that businessman will deliver according to the values, customs and rituals of the existing culture. As the business is going global day by day and the world is at the verge of 'global village' the need for developing understanding of cultural differences has become essential to survive.

Therefore, the marketers who wish to be the part of the ongoing process need to understand the process of acculturation so that they can develop ways to handle the consumers of different cultures. People's attitudes toward business is also determined by the culture. 'What is right and what is wrong' are basic to all businesses and for doing or not doing a particular work is judged on the basis of prevalent culture and also determines ethical code of conduct. Despite the pervasive nature of culture, not all people within a society think, feel, and act the same way. Every society has subcultures- group of people who share certain values but exhibit them in different ways. Within a society such as the India, there are the different tastes and preferences of the different starta. Like a Punjabi has altogether different preferences then that of a South Indian in the name of certain products like food and clothing, and the shrewd marketers have always capitalised on this kind of opportunities. Hence, a thorough understanding of social-cultural environment is imperative in order to be successful.

1.10 MARKETING INFORMATION SYSTEM

Marketing Research is to be distinguished from Marketing Information System (MIS). The latter has been defined as:

A structured, interacting complex of persons, machines, and procedures designed to generate an orderly flow of pertinent information, collected from both intra-and extra-firm sources, for use as the basis for decision-making in specified areas of marketing management.

This definition indicates the interdependent activities associated with the collection of marketing information, both from internal and external sources. It also shows that such information is collected to facilitate decision-making in different areas of marketing management. We have seen earlier that marketing research is a means of obtaining information to be used in making marketing decisions. A comparison of the two concepts shows that while marketing research generates information, marketing information system concentrates on the storage and flow of information to marketing managers. This clearly shows that marketing information system is a much wider concept than marketing research.

A good marketing information system should determine the information needs of the organisation and generate and" process such information on a continuing basis. It should also provide for its storage so that it can be used when required.

Types of Information Supplied by MIS

Marketing information system usually supplies three types of information to marketing managers. The information could be recurrent, monitoring and requested. Recurrent information is that information which is provided on a periodic basis. For example, information on sales, market shares, customer satisfaction and perceptions, advertising expenditure, etc. may be supplied on weekly or monthly basis.

Monitoring information is the information obtained from regular scanning of certain sources. For example, official publications, journals, annual reports of companies constitute common sources of monitoring information. These sources can be very helpful to companies as they can indicate the nature of problems that are likely to arise and the possible changes in business environment. In addition, such information can be helpful in identifying new market segments, new uses,)f the existing product as also possibilities of improving the product by introducing new features.

Requested information, as the name implies, is the information sought by a marketing manager. Such information could involve a wide range of activities such as cost and price analysis of competitive products, cash flow position of competitive companies, quality testing of competitive products, etc. It may be noted that such information would not be usually available unless a specific request is made for the same. Once a request is made for specific information, then a series can be built up over time provided such information is useful and marketing managers need it frequently.

MIS to Help Develop Marketing Plans

When a company begins to regularly schedule the coordination of findings from several research projects designed to assist in specific recurring decision situations, the company has began to develop a marketing information system-MIS for short. Such marketing information systems are beginning to evolve, as the following example illustrate.

To help its managers develop their marketing plans, the Gillette Company uses information gathered from five different types of regularly recurring research projects. The five projects were designed to provide the managers a complete picture of the razor and blade market, including detailed descriptions of consumers, competition, and distribution. The five projects, and the usefulness of the information they gather, are a follows:

1. Each year a large number of people are selected in a nationwide sample and are personally interviewed in their own homes. The purpose is to determine the brands of razors and blades used by consumers, and to measure consumers' attitudes towards both Gillette's products and competitors' products.

2. The company uses a large panel of shavers who are studied annually through their use of mail questionnaires. These projects are able to measure brand loyalty and brand switching because the same individuals are studied year after year.

3. Annual telephone surveys provide the company with brand awareness and advertising awareness information. These surveys tell the company how it compares with competition on these two important awareness measures.

4. Each month the company conducts two or more consumer use tests, involving both Gillette and competitive brands, in order to evaluate the strengths of all brands. The tests ensure that the company's products are up to standard and that no claims are made that cannot be substantiated.

5. Inventory audits are taken regularly at both the retail and wholesale levels. These provide the company with information regarding product inventory and display, pricing, out-of-stock, local advertising and more.

These five projects provide Gillette marketing managers with information on market shares, brand loyalty and brand switching, consumer attitudes, brand and advertising awareness, product advantages versus competition, inventory levels, out-of-stock, retail prices and display, local advertising, and more. As the data are gathered from recurring studies, the managers have a complete picture of current market and competitive conditions from the most recent set of studies, and they know the recent trends that exist in all of these data. All of these items of information provide the Gillette managers an excellent historical record on which to base the development of their new marketing plans.

What Information Sources Are Used?

Where do marketing managers and marketing researchers get the information they need? All marketing management information comes either from sources internal to the firm or from external sources. External sources of information can be further broken down into primary and secondary sources. Thus marketing management information comes from (1) sources internal to the firm, (2) primary sources external to the firm, and (3) secondary sources external to the firm (see table 1).

Some sources are internal to the firm, such as information generated by the marketing, accounting, and production departments. Their normal operating responsibilities require that they compile some of the sales and cost data needed by management. There are also data sources external to the firm, and these can be further classified as primary or secondary data sources.

Secondary data are those that have been collected by other organizations; for example, government agencies such as the Commerce and Labour departments of the federal government, financial organizations such as Reserve Bank of India, IMF and IBRD;

newspapers and magazines such as the Economic Times and Finance India, trade associations such as the CCI. Data from these sources are called secondary because these organizations collect original data, analyse and tabulate these data, but then publish only summary tables and charts. Users of such data are limited to what is presented in the summary tables and charts; the original data are not available to them. As secondary data typically are compiled for some general audience- not just for a specific manager- it is unlikely that their form and content will perfectly satisfy a specific manager's information needs.

SOURCES OF MARKETING MANAGEMENT INFORMATION

Internal to Firm	**External to Firm**
Sales and costs broken down by products, markets, and types of marketing activities (advertising, promotion, personal selling, etc.)	*Primary sources:* Consumers Retailers and wholesalers Other business firms *Secondary sources:* Government publications Trade association publications Commercial services Other publications

Primary data are those collected specifically by, or for, the data users. There is no intervening party to summarize the original data. As the original data from each unit or respondent are available, they can be retabulated or re-analysed in as many different ways as managers choose. Most important, however, is that the data collected are specified in advance by managers who will use the data; this assures managers that the data will be tailored to their needs.

Frequently, manager's need would result in the use of information from both external and internal sources. For example, the "share of market" and "percent distribution" may be derived from either primary or secondary sources. In addition, if both brand awareness and attitude and performance data are used, they will be primary data. In effect, there may be numerous management information needs that can be satisfied only by a systematic integration of external primary and secondary data with the firm's internal data.

KEYWORDS

Needs: It refers to the state of felt deprivation. How individuals go about satisfying a particular need is conditioned by the cultural values of that society which he/she belongs to.

Wants: Wants are the specific satisfiers to satisfy a particular need. For example, transportation is a need and a car is a satisfier.

Value: Value is represented by the ratio of perceived benefits to the price paid. Value can be added by better specifying a product offer in accordance with consumer's expectations.

Market: Market consists of potential buyers and sellers where they interact for an exchange process. Earlier people used to describe it as a place only.

Marketing myopia: It means a wrong perception about marketing where excessive attention is given to the quality without taking care of the actual needs of the consumers.

Demography: The study of population features i.e. relating to broad population statistics, such as age, sex, household composition etc.

Competitive advantage: A firm which offers better marketing mix to its target consumers than that of competitors.

Culture: The whole set of beliefs, attitudes and ways of behaving by a group of people.

Macro-environment: The general external business environment in which a firm operates and are uncontrollable.

Micro-environment: The general business environment factors which are controllable in nature.

Marketing audit: A systematic review of a company's marketing activities and of its marketing environment.

Technology: The application of science for its practical purposes.

Legal environment: Laws and regulations and their interpretation.

Market research: It is about determining the characteristics of a market like size, growth rate, segment, and competitors positioning etc.

Marketing research: besides including market research, it includes the monitoring of the effectiveness of its advertising, intermediaries, financing policies and identifying the needs of the consumers.

Data-based marketing: The practice of using databases of customers' names, addresses, phone numbers, past purchases, responses to previous offers, and previous decisions etc.

Hypothesis: It is a tentative solution to a problem. Here we take certain assumptions to research objectives.

Research design: A master plan that specifically identifies what techniques and procedures will be used to collect and analyse data about a problem.

Sampling: Any procedure in which a small part of the whole population is used as the basis for conclusions regarding the whole.

QUESTIONS

1. What do you mean by marketing? Describe the feature of marketing.
2. Describe in detail the various philosophies of marketing.
3. Define marketing management? Also discuss the various levels of demand and the task of a marketing manager thereto.
4. Do all companies need to practice the marketing concept? Could you cite companies that do not need this orientation?
5. Why is the study of marketing important to everyone? Discuss.
6. Give an example of a good, service, and idea that you have recently purchased.
7. What is marketing environment? Write down its main ingredients.
8. Define marketing environment? Discuss in brief the factors that constitute marketing environment.
9. "Firms which systematically analyse and diagnose the environment are more effective than those which don't". Elucidate.
10. Discuss the demographic and technological trends that can affect the future of the business.
11. What is "research"? What are the two broad categories in which it can be divided?
    2. Distinguish between "problem-solving" and "problem-oriented" research.

12. What is "marketing research"? Is marketing research a basic research or an applied research? Why?

13. Discuss the definition of marketing research as suggested by the American Marketing Association.

14. "Marketing research is undertaken to guide managers in the analysis of marketing problems." Critically examine this statement.

15. How can marketing research benefit marketing management?

16. "Many a time management is not convinced about the utility of marketing research and regards it as an unnecessary activity over which no funds should be spent", comment.

17. What factors have contributed to the growth of marketing research in the western countries?

18. What is marketing information system? How does it differ from marketing research?

19. Marketing research is generally conceded to be essential for manufacturers, but is it of any real value of retailers and service organizations? Why?

20. A sales manager in a firm with a large sales force recently said, "My sales people give me better information about the market than I could ever get from our market research department." Discuss.

UNIT II

CONSUMER BEHAVIOUR AND PRODUCT MIX

2.1 INTRODUCTION

It is quite evident that knowing consumer needs and desires is a road to success for the marketers, but the question is how? It is not a simple task. At the first instance, we can feel that whatever consumer is telling may be perceived as correct but actually he may act otherwise. They may respond to your message but may be influenced at the last moment by their friends, family members or by their other reference groups. It may happen that they intend to seek products as their counterparts are using but their cultural moorings may not allow them to use those products. They may not be in touch with their deeper motivational level and may not exactly know as to what they really need. Even after conducting surveys and knowing their needs, while trying to convey a message, a marketer may entirely fail to make audience perceive the message as desired. A marketer, for the convenience of the consumers may try to make the goods available at their doorstep, while they actually may prefer going to marketplace. The marketers' study finds varied types of personalities which require different sort of appeals to convince them according to their self-concepts. So, there are hundreds of questions, which come in the way of conducting research on consumers for knowing their deep-rooted needs and desires, but nevertheless marketers must study their target customers' needs, wants, perceptions, preferences and buying behaviour.

So, the aspect of studying consumer behaviour is another paradigm in the field of marketing which requires huge attention. Although it needs a full life-span to study and understand a person's consumption decisions but for practical reasons marketers have to study consumer behaviour. The study of consumer psyche facilitates designing of more effective solutions to marketing problems. Therefore, a marketer's task is varied and complicated than it actually seems to be. It's not only the need and wants the marketers have to look for. Rather, their real task is looking for various satisfiers for these needs. These satisfiers are not mere tangible products and services but a complicated expression in terms of products and services of consumers' hidden desires and dreams, of consumers'-personality make-up and its complicated relation with cultural and social values disseminating from socialisation process and from onslaught of globalisation of culture.

2.2 MEANING AND DEFINITION OF CONSUMER BEHAVIOUR

The most crucial issue for the marketers is to identify the needs of the consumers. Only the identification of needs is of no value unless and until this is transformed in to a meaningful and appropriate satisfiers. For this whole process of converting needs into actual satisfaction one needs to understand the complete make up of consumer's mind, and this process is known as consumer behaviour. Let's also discuss some of the definitions of consumer behaviour.

According to Schiffman and Kanuk "Consumer behaviour encompasses all of the behaviours that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs".

Wells and Prensky defines that Consumer behaviour is the study of consumers as they exchange something of value for a product or service that satisfies their needs.

Hawkins, Best and Coney describes "The field of consumer behaviour is the study of individuals, groups, or organisations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society".

On the basis of above definitions, it can be concluded that consumer behaviour is the study of consumers regarding what they buy, when do they buy, from where they buy, how frequently they buy, and how they use certain products. But the study does not stop here as it also goes further to study the post purchase and evaluations of the consumers. So, it addresses all the issues related from pre-purchase to post purchase behaviour of the consumers.

The study regarding consumer behaviour can be divided into two parts i.e. consumer buying dynamics and dynamics of business buyers.

2.3 CONSUMERS' BUYING DYNAMICS

Let's discuss in brief the various determinants of consumer behaviour. Figure 1 summarizes the various factors that influence consumers' buying behaviour.

Fig. I

Cultural	**Social**	**Personal**	**Psychological**
Culture	Reference Group life cycle	Age & Stage in	Motivation
Subculture	Family	Occupation	Perception
Social Class	Roles & Status	Economic circumstances	Personality

2.3.1 Psychological Factors

A person's acquired needs are influenced by certain psychological factors such as motivation, perception, learning and personality, etc.

(a) Motivation: Motivation is a process of restoring the balance between actual and designed state of mind that has been effected by some physiological or psychological deprivation. This deprivation may be the cause of simple reaction in human biological system causing hunger, thirst, security and desire for sex etc. or it may be due to complicated acquired needs. So, its very important for the marketers to have a close eye on this dynamic process of motivation.

(b) Perception: Perception is the process by which an individual selects stimuli, organises information about those stimuli, and interprets the information. Perception poses powerful implications for marketers. What is perceived by an individual, it determines how he or she behaves? No consumer purchase can take place unless a consumer perceives that the product or service will offer the benefits he or she needs. Accordingly, marketers must understand how perception works in order to communicate successfully a product's benefits. Regardless of the fact that a product is innovative or advertisement is effective, it will fail if it is not perceived favourably by the potential consumers.

(c) Learning: Learning is a continuous process by which individual acquires knowledge so that it causes a permanent change in behaviour. Learning is a kind of process that evolves over a time and can not be directly observed. When a person perceives new stimuli in the environment, it is related with the existing pond of knowledge. Therefore, learning reflects both current experiences and past back ground. Learning is essential to the consumption process. In fact, consumer behaviour is largely learned behaviour. We acquire most of our attitudes, values, tastes, preferences, symbolic meanings and feeling through learning. Human culture and social class, institutions such as schools and religious organisations, family, friends, mass media and advertising provide learning experiences that influence the kind of life style the consumers seek and the products they consume. Marketers spend considerable effort to ensure that consumers learn of their existence as well as about their products. Companies that make their consumers learn about their products and services in an effective and efficient manner often obtain a long-term competitive advantage them that of their competitors.

(d) Personality: Personality is defined as those inner psychological characteristics that both determine and reflect how a person responds to his environmental stimuli. Personality is enduring and ensures that a person's responses are consistent over time. But personality can not be considered as a unified whole, for that purpose different personality traits are to be studied by the marketers. For example, dogmatism is a personality trait that measures the degree of rigidity among individuals. If a person is highly dogmatic, it's very difficult to convenience him regarding the innovative products and brands. They are move likely to choose well established brands and can not be convinced by celebrities in the advertisements. Rather these kinds of people are influenced by the authoritative appeals. On the contrary, those who possess the trait of innovativeness are move receptive to new products, new services and new practices. They are prone to newer experiments. There could be some other personality traits like inner directed consumes and other directed consumers. So, on the basis of these personality traits, the process of segmentation can effectively be performed.

2.3.2 Personal Factors

A consumer's decisions are also affected by his personal characteristics including age, occupation and life-style.

(a) Age and stage in the life cycle: The first factor influencing a consumer's decision is his age. The need for different products and services changes with the passing of age. Milk powder, toys, baby foods are special preference of the babies and children. Adults require different kind of clothing, educational facilities, recreational facilities and much more items related to fashion. Girls and women require different products than that of their male counterparts. Consumption pattern is also affected by the specific stage of the family life cycle. With the different stages in the family cycle, different products are attached with each. For example, young and unmarried people living away from home have few financial burdens, are engaged in buying kitchen equipments and light furniture. They also enjoy leisure time and spend money on items like colour TV or stereo systems. On the contrary, old married couples with dependant children, spend on education, cars, homes and necessary appliances. So, life-cycle stage does effect a buyer's decision.

(b) Education and Occupation: Occupation and education influence buying behaviour. Education has always been associated with the purchase of books, healthier foods, and entertainment. Level of education also influences how decisions are made. They seek more information and better quality products than the other ones. The occupation also shapes the consumption needs. People belonging to different occupation need different products. But, apart from their specific needs, the status and role of a person within an organisation affects his consumption behaviour. For example, occupation can affect the type of clothing a person buys, transportation choice, food purchases, and the need for time-saving products.

(c) Life-Style: Life-style is a more comprehensive and more contemporary concept and perceived as more useful than the concept of personality. For that reason, considerable attention is being devoted to understand the word life style, how it is measured and how it is used by the marketers. Broadly it is defined as patterns in which people live and spend their money and time. These are based on consumers' motivations, learning, social class, demographics and other varieties. Therefore, it is a kind of summary construct which reflects the values of consumers.

In nutshell, life-style addresses the way consumers express their personalities in their social and cultural environment. The consumer researchers put their focus on attitudes, interests and opinions to measure the life-styles of different consumers. This measurement technique is known as psychographic. Based on this technique, different life-styles can be identified and measured and then these bases are used for segmentation, product positioning and for developing the promotional campaigns.

(d) Economic circumstances: The choice regarding product is greatly affected by person's economic circumstances. It consists of consumer's spendable income, savings, assets, borrowing power, perception, and attitude towards spending and savings etc. Marketers have to pay a continuous and constant attention towards personal income, saving and interest rates in the market because their marketing efforts largely depend on these issues. For example, if interest rates are low, then there would be more money supply in the market and accordingly, marketers can take steps to reposition or reprice their products and vice-versa. So, these were some of the personal factors that affect consumer behaviour.

Consumers turn to reference groups for many reasons. The consumer purchase process can be difficult and confusing one, and for that matter, the consumer might need information from others to make his or her way through the steps in his purchase process.

For example, a couple who wish to go for vacation rely on information from friends who had just enjoyed a vacation at a particular place. Their friends' travel experiences and knowledge enabled this couple to gather information, evaluate alternatives, and reach a purchase decision more quickly than they would have been able to do alone.

In other cases, consumers might rely on reference groups because they use their purchases to make a statement about the image they want to project and to identify themselves as a part of the group by buying the some products as their friends, they indicate that they are like them. For example, a student wears a cap with the name of his college or school to demonstrate his identification with his institution. Consumer's decisions are reinforced by doing so and subconsciously he also avoids dissonance.

Each potential reference group offers certain advantages to a consumer. In choosing among the groups, the individual must weigh the information, resources, and image to be obtained by buying the same products in the same way the group members do. In doing so, the consumer must have some knowledge of how the members of the group out and the values they held. The three categories of groups which are important for the marketers to understand are:

(i) Primary and secondary groups: A primary group is one with which an individual meets and interacts on regular basis. Family, close friends and co-workers are in the primary groups whereas secondary groups consist of those people to whom an individual interacts only occasionally and does not consider their opinion very strongly.

(ii) Formal and Informal groups: A formal group is one which has a highly defined structure, specific roles and authority position and specific goals. Rotary club, Lions Club, Labour Unions are name of the examples of formal groups. In contrary, an informed group is loosely defined and possess no specific roles and goals. Having a meeting with the neighbours over a cup of tea to discuss some happenings, is an instance of an informal group.

(iii) Membership and symbolic groups: When a person belongs to a group or qualifies for membership, such kind of group is known as membership group. For example, a doctor qualifies to be a member of medical association or all workers in a factory qualify for membership to the labour union. A symbolic group is one for which an individual aspires to belong to, but is not likely to be the member but he behaves like the members of that group. For example, a clerk may act as if he belongs to executive class by adopting their life styles, attitudes, values and wearing style etc.

Any of these groups can serve as a point of reference for the consumers in determining their purchase behaviour. Therefore, a marketer has to keep a constant track of group behaviour so as to be a successful marketer.

(e) Family: Family also influence the buying behaviour. Although, now a days, women's roles are changing fast but still they make buying decisions related to household items like healthcare products, foods, landing supplies and kitchen wares etc. Joint decisions of husbands & wives are also taken as regards a variety of products, particularly durables such as furniture, appliances and other expensive items. Today, children also play a bigger role in family purchase decisions. The colour of a car, size of the TV and brands of certain home appliances are influenced up to a greater extent by the children. The husbands decide specifically about the saving instruments, life insurance and house building materials etc.

To develop a marketing-mix that precisely satisfies the needs and wants of the target consumers, marketing managers need to understand the structure of the family and the roles of women and children in a family.

(f) Roles and Status: A role is a set of functions and activities that a person in a particular position is expected to perform. Since people possess different positions within groups, institutions, organisations, societies and families, they have different roles to play. For example, your roles may include student, son or daughter, friend, employee and spouse or parent etc. A person's various roles influence buying behaviour. Being parents, you buy books for your children, toys clothing etc. In role of husband you buy jewellery for your wife. As a manager, you would like to buy clothes which reflect your status in the organisation, such as safari suit, three-piece suit, tie, leather shoes etc.

Each role that a person plays has a degree of status which is in relative term perceived by the society. It is the degree of influence that an individual exerts on the behaviour of others. People use different products and services to reflect their status. The CEO of an MNC may drive a BMW to communicate his status in the society. A marketer's job is to adjust himself according to the changing roles and status of the individuals.

2.3.3 Cultural Factors

Cultural factors exert the greatest impact on buying behaviour of a consumer. A buyer is always influenced by his culture, subculture and social class. So, let's have a brief discussion on these topics.

(a) Culture: From the dawn of civilisation, human-being have been looking for ways and means to better their lives. In the process they have come together and have formed common action and reaction patterns, common ways of doing things, forming common values and beliefs to help one decide what to do or what not to do and this is a dynamic process in which something is added up and subtracted over the time as per the requirement of the situation. This process of building an common platform for better living is called 'culture' and have great impact on any of the consumer decisions. So, marketers have to take a concentrated note of this phenomenon.

(b) Subculture: Members of a culture share most of the core values, beliefs, and behaviours of that culture. However, most individuals also belong to several subcultures. A subculture is a segment of a large culture whose members share distinguishing patterns of behaviour. An array of ethnic, nationality, religious, regionality, and even age characterize subcultures. For example, India as a whole considered as a culture but when it comes to different religions, different regions, castes and languages, it forms so many sub-cultural groups which are diverse in nature. A Punjabi is having different tastes and preferences for food and dresses against his counterpart who is a Gujarati or a Tamil. Hence, the existence of these subcultures provides marketers with the opportunity to develop unique marketing programmes to match the unique needs of each segment.

So, understanding individual consumer should be fascinating for you. In the field of marketing, one must be curious about why people behave as they do. Such curiosity is essential for success in this field. That is what marketing is all about understanding and anticipating consumer needs and developing solutions for those needs. This particular section was devoted to individual consumer. Now in the next section we will be having discussions on the industrial consumer/buyer.

2.4 CONSUMER PURCHASE DECISION PROCESS

Stages a buyer passes through in making choices about which products or services to buy.

1. Problem Recognition
2. Information Search
3. Alternative Evaluation
4. Purchase Decision
5. Post-purchase behavior

1.Problem Recognition - perceiving a need - perceives a difference between a person's ideal and actual situations big enough to trigger a decision.

Advertising or salespeople can activate a consumer's decision process by showing the shortcomings of competing or currently owned products.

2. Information search - consumer begins to search for information about what product or service might satisfy the need.

* Internal search - scanning ones memory for previous experiences with products or brands

* External Search - when past experience or knowledge is insufficient, the risk of making a bad decision is high (high cost good or service).

- Personal sources such as relatives or friends

-Public sources - product rating organizations like Consumer Reports, government agencies

-Marketer dominated sources - advertising, company web sites, salespeople, point-of-purchase displays

3. Alternative Evaluation - both the objective attributes of a brand and the subjective ones used to compare different products. These criteria are often mentioned in advertisements.

4. Purchase Decision - Having examined the alternatives

- -whom to buy from, which is determined by seller's terms of sales, past purchase experience, return policy, convenience

- when to buy, which is determined by whether the product is on sale, the manufacturer offers a coupon/rebate, the stores atmosphere, time pressure, financial terms, etc.

5. Postpurchase Behavior - after buying a product the consumer compares it with his/her expectations and is either satisfied or dissatisfied.

-satisfied buyers tell 3 other people about their experience, while dissatisfied ones complain to 9 people.

-satisfied buyers tend to buy from the same seller each time a purchase decision arises

- many companies focus attention on postpurchase behavior to maximize customer satisfaction and retention.

Cognitive Dissonance - the feeling of postpurchase tension or anxiety .

High Involvement Purchases - typically has at least one of three characteristics: 1) Expensive (house, auto, vacations);

2) can have serious personal consequences; 3) Could reflect on ones image.

Low Involvement or Routine Purchases - the process is habitual and is typically used for low-priced, frequently purchased products (milk, toothpaste, etc)

2.5 MARKET SEGMENTATION, TARGETING AND POSITIONING

Marketers cannot be all things to all consumers. A firm can not satisfy every consumer with the same product, no matter how effectively it designs the product and its marketing mix. It happens because customers are too numerous and diverse in their buying requirements.

For example, if you ask ten people about their favourite level of music or perfume, you might get ten different answers. In such a case it would be difficult for one company to meet the needs of each and every consumer. At the same there, most of the companies can not often a customized product for every consumer in a market at a cost that all consumers could afford. In order to develop a successful marketing strategy, marketers must group consumers into segments that each can be satisfied by a specific product.

When a firm decides to design a new product, it makes decisions that it knows it will appeal to some consumers and not to others. Marketers such as P&G and HLL offer many products in the same category, each of which is designed to appeal to a specific consumer segment, so that the company can profit from sales to many diverse segments. Such multiple product marketers must understand the consumer segments and which appeals to each of man so not they can design their products accordingly. In doing so, marketers must adopt three steps of target marketing:

(a) Identify and profile different group of consumers who differ in their preferences (segmentation).

(b) Select one or more market to enter (market targeting)

(c) For each target segment, establish and communicate the major distinctive benefits of the company's market offering (market positioning)

2.6 MARKET SEGMENTATION: MEANING AND DEFINITIONS

Market segmentation can be defined as the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix.

–Schiffman and Kanuk

As per S.J. Skinner: *Market segmentation is the process of dividing a total market into groups of consumers who have relatively similar product needs.*

Rajan Saxena defines segmentation as *the process of dividing a heterogeneous market into homogenous sub units.*

So, on the basis of the above definitions, it can be concluded that segmentation is to divide a market consists of consumers with diverse characteristic and behaviours into homogenous segments that contain persons who will all respond similarly to a firm's marketing effort. When this is done, the company is in a position to answer "What are our target markets."

2.7 LEVELS OF MARKET SEGMENTATION

The number of possible segments that will result from a segmentation analysis can be as few as one or as many as the total number of consumers that are in the total market. The marketer's choice of segments should reflect actual similarities in consumer background characteristics and behaviours that will result similar purchase decisions. Typically, various kinds of markets can result from a segmentation analysis.

(a) Mass Marketing: In mass marketing consumers are indistinguishable and all are in one segment. Here the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers. The essence of this strategy was summed up by the entrepreneur Henry Ford, who offered the Model T automobile to the public "in any colour they wanted, as long as it was black". Mass marketing would be a logical strategy if all consumers were alike regarding their needs, wants and demands with same background, education and experience. Its primary advantage is that it costs less. But in the diversified market, this strategy does not seem logical and ultimately marketers end up with the strategy of 'segmented market'.

(b) Segment Marketing: A segmented market is one in which meaningful differences among consumers result in a modest number of segments. Here the segment consists of a group of customers who share a similar set of wants. The strategy of segmentation allows producers to avoid head-on competition in the market by differentiating their offerings, not only on the basis of price, but also through styling, packaging, promotional appeal, method of distribution, and superior service.

(c) Niche Marketing: Nowadays marketers are increasingly using highly focused marketing programmes to target small consumer niches with products and services that fit their interests and life-styles. Niche marketing is sometimes also called micro-marketing. Marketers usually identify niches by dividing a segment into sub-segments. The customers in the niche have a different set of needs and they are also ready to pay a premium to the firm that best satisfies their needs. The niche is not likely to attract competition from the other marketers. For example, Ferrari gets a high price for its cars because loyal buyers feel no other automobile comes close to offering the product, service membership benefit bundle that Ferrari does.

(d) Local Marketing: When marketing programmes are designed to cater the needs and wants of local customer groups (trading areas, neighbourhoods, individual stores). For example Punjab National Bank and State Bank of India provide different mixes of banking services in their different branches, depending on neighbourhood demographics.

You can always find a vegetable shop near to your locality and in the same manner a drug store or a retail store so that needs and wants of local customer groups can be fulfilled.

(e) Individual Customer Marketing: When a marketer detects as many segments as there are consumers, so that each segment is composed of only one consumer, it has been identified an individual marketing or a customized marketing. This results when the marketer believes that no two consumers will respond the same way to its marketing efforts. As a result, the marketer is forced to produce a customized product specifically designed and positioned for each consumer to whom it wants to market. Health and exercise marketers provide examples of customized marketing. They are the personal trainers who develop a customized exercise programmes for their clients and exercise with them on individual basis. Today the information revolution is enabling a growing number of companies to mass-customize their offerings. Mass-customisation is the ability of a company to prepare on a mass basis individually designed products, services, programmes, and communication to meet each customer's requirements. It is a strategy that mobilizes the combined power of mass production technologies and computers to make varied, customized products for individual customers.

2.8 BASES FOR SEGMENTATION

The first step in developing a segmentation strategy is to select the most appropriate bases on which to segment the market. Five major categories of consumer characteristics provide the most popular bases for market segmentation. They include geographic factors, demographic factors, psychological factors, socio-cultural variables, and use related factors etc. Let's discus these factors in brief.

(a) Geographical Segmentation: In geographic segmentation, the market is divided by location. The theory behind this strategy is that people who live in the same area share some similar needs and wants and that these needs and wants differ from those of people living in other areas. For example, certain food products sell better in one region than in others. Some marketing theorists and marketing practitioners believe that worldwide satellite television transmission and global communication networks have erased all regional boundaries and therefore, that geographic segmentation should be replaced by a single global marketing strategy. Other marketers, have, for a number of years, been moving in the opposite direction and developing highly regionalised marketing strategies. In summer, geographic segmentation is a useful strategy for many marketers. It is relatively easy to find geographically based differences for many products. In addition, geographic segments can easily be reached through the local media, including newspapers, TV, and radio, advertisement through regional editions of magazines.

(b) Demographic Segmentation: Demographic characteristic, such as age, sex, martial status, income, occupation and education are most often used as the basis for market segmentation. Demography refers to the vital and measurable statistics of a population Demographics help to locate a target market, whereas psychological and socio-cultural characteristics help to describe how its members think and how they feel. Demographic information is the most accessible and cost-effective - Way to identify a target market. Indeed, most secondary data, including census data, are expressed in demographic terms. Demographics are easier to measure than other segmentation variables. They are invariably included in psychographic and socio-cultural studies, because they add meaning to the findings. Demographic variable reveal ongoing trends, such as shifts in age, sex (gender), and income distributions, that signal business opportunities.

(c) Psychological/Psychographic Segmentation: Psychological characteristics refer to the inner or intrinsic qualities of the individual consumer. Consumer segmentation strategies are often based on specific psychological variables. For instance, consumers may be segmented in terms of their needs and motivations, personality, perceptions, learning, level of involvement, and attitudes. For example Colgate Palmolive, AT & T services, Kentucky fried Chicken and Nescafe Coffee. Marketers conduct psychographic research to capture insights and create profiles of the consumers they wish to target.

(d) Socio-cultural Segmentation: Sociology and anthropological variables- that is, socio-cultural variables- provide further bases for market segmentation. For example, consumer markets have been successfully subdivided into segments on the basis of stage in the family life cycle, social class, core cultural values, sub-cultural memberships, and cross-cultural affiliation.

Family Life Cycle: Family life cycle segmentation is based on the premise that many families pass through similar phases in their formation, growth and final dissolution. At each phase the family unit needs different products and services. Family life cycle is a composite variable based explicitly on marital and family status, but implicity including relative age, income, and employment status. Each of the stages in the traditional family life cycle (Le. bachelorhood, honeymooners, parenthood, past parenthood, and dissolution) represents an important target segment to a variety of marketers.

Social Class: Social class (or relative status in the community) is a potential segmentation variable. It is traditionally "measured" by a weighted index of several demographic variables, such as education, occupation, and income. The concept of social class implies a hierarchy in which individuals in the same class generally have the same degree of status, while members of other classes have either higher or lower status. Marketers regularly have used their knowledge of social class differences to appeal up specific segments. Many major banks, for example, offer a variety of different levels of service to people of different social classes. (e.g. private banking services to the upper classes).

Culture, Subculture and Cross Culture: Some marketers have found it useful to segment their domestic and international markets on the basis of cultural heritage, because members of the same culture trend to share the same values, beliefs, and customs. Marketers who use cultural segmentation stress specific, widely held cultural values with which they hope consumers will identify. Cultural segmentation is particularly successful in international marketing, but in such instances, it is important for the marketer to understand fully the beliefs, values, and customs of the countries in which the product is marketed.

(e) Use-Related Segmentation: An extremely popular and effective form of segmentation categories consumers in terms of product, service, or brand usage characteristics, such as usage rate, awareness status, and degree of brand loyalty. Rate of usage segmentation differentiates among heavy users, medium users, light users, and non users of a specific product, service or brand". Marketers of a host of other products have also found that a relatively small group of heavy users account for a disproportionately large percentage of product usage and that targeting these heavy users has become the basis of their marketing strategy. Other marketers take note of the gaps in market coverage for light and medium users and profitably target these segments. Awareness status encompasses the notion of consumer awareness, interval, level, on buyer readiness. Marketers have to determine whether potential consumers are aware of the product, interests in the product, or need to be informed about the product. Sometimes, branch loyalty is used as the basis for segmentation. Marketers often try to identify the characteristics of their brand loyal consumers so that they can direct their promotional efforts to people with similar characteristics in the larger population.

2.9 CRITERIA FOR EFFECTIVE TARGETING OF MARKET SEGMENTS

The previous sections have described various bases on which consumers can be clustered into homogenous market segments. The next challenge for the marketer is to select one or more segment to target with an appropriate marketing mix. To be an effective target, a market segment should be (I) identifiable, (2) sufficient (in terms of size), (3) stable or growing, and (4) reachable (accessible) in terms of media and cost.

Identification: To divide the market into separate segments on the basis of a common need or characteristics that is relevant to the product or service, marketers must be able to identify the relevant characteristic. Some segmentation variables such as geography (location) or demographics (age, gender, occupation are relatively easy to identify or are even observable. Others, such as education, income, or marital status, can be determined through questionnaires. Still other characteristics, such as benefits sought or life style, are more difficult to identify. The knowledge of consumer behaviour is especially useful to marketers who use such intangible consumer characteristics as the basis for market segmentation.

Sufficiency: For a market segment to be worldwide target, it must have a sufficient number of people to warrant tailoring a product or promotional campaign to its specific needs or interests to estimate the size of each segment under consideration, marketers often use secondary demographic data.

Stability: Most marketers prefer to target consumer segments that are relatively stable in terms of demographic and psychological factors and needs and that are likely to grow larger over time. They prefer to avoid "Fickle" segments that are unpredictable in embracing facts. For example, teens are a sizeable and easily available market segment, eager to buy, able to spend, and easily reached. Yet, by the time a marketer produces merchandise for a popular teenage fad, interest in it may have wanted.

Accessibility: A fourth requirement for effective targeting is accessibility, which means that marketers must be able to reach the market segments they want to target in an economical way. Despite the wide availability of special interest magazines and cable TV programmes, marketers are constantly looking for new media that will enable them to reach their target markets with a minimum of waste circulation and competition.

2.10 APPROACHES FOR SELECTING TARGET MARKETS:

Once a firm understand its markets and the appropriate bases for segmenting those markets, it must choose an approach for selecting its target markets. There are three different approaches for selecting target markets: the undifferentiated approach, the concentration approach; approach, and the multi segment approach.

(a) Undifferentiated Approach: In the undifferentiated (or total-market) approach, a company develops a single marketing mix and directs it at the entire market for a particular product. This approach is used when an organisation defines the total market for a particular product as its target market. A company using the undifferentiated approach assumes that individual customers in the target market for a specific type of product have similar needs. Therefore, the firm creates a single marketing mix that it hopes will satisfy most of those customers.

The company makes the type of product with little or no variation, sets one price, designs one promotional programme aimed at everyone, and establishes one distribution system to reach all customers in the total market. Products that can be marketed successfully with the undifferentiated approach include staple food items such as sugar and salt, certain kinds of farm produce, and other goods that most customers think of as identical to competing products.

Companies that use the undifferentiated approach often try to distinguish their own products from competitors' products through marketing activities. When a company tries to convince consumers that its products are superior and preferable to competing brands, it is utilizing product differentiation.

Product differentiation enables a firm to distinguish its product from competitors' products without dramatically altering the physical characteristic of the product. For instance, if a gasoline company marketed unloaded gasoline to the total market without product differentiation, it would be difficult for consumers to select one type of gasoline over another. By using product differentiation such as promotions that claim its gasoline provides better mileage, clean engines, or eliminates engine knock an oil company can differentiate its gasoline from that of its competition for product differentiation to be effective, the characteristic used to distinguish one brand from another must be important to a large number of consumers in the total market.

(b) Concentration Approach: When an organisation directs its marketing efforts toward a single market segment through a single marketing mix, it is using a concentration approach.

A major advantage of the concentration approach is that it allows a company to focus all its marketing efforts on a single segment. The company can analyse the characteristics and needs of distinct customer group and then direct all its efforts toward satisfying that groups needs. A firm can generate a large volume of sales by reaching a single segment. The concentration approach also enables a firm with limited resources to compete with larger organizations, in the same market.

A major disadvantage of the concentration approach is that if a company depends on a single market segment for its sale and that segment's demand for the product declines, the company's sales and profits will also decline. Moreover, when a firm dominates one segment of a market, its popularity and reputation may keep it from moving into other segments.

(c) Multi-segment Approach: An organisation using the multi-segment approach directs its marketing efforts at two or more segments by developing a marketing mix for each segment.

A firm may use the multi segment approach after successfully using the concentration approach on one market segment and expanding to other segments.

A business using-the multi segment approach can usually increase its sales in the total market by focusing on more than one segment because the firm's mixes are reaching more people. A firm with excess production capacity may find the multi segment approach practical because the development of products for additional market segments may use up the excess capacity. However production and marketing costs may be higher with the multi-segment approach because it often requires a great number of production processes, materials, and skills, as well as several different promotion, pricing and distribution methods.

2.11 PRODUCT POSITIONING

Once the market has been segmented and attractive segments have been identified, the next task is to work within a targeted segment to position the product in the minds of the consumers and develop a marketing mix that will satisfy the consumer.

Product Positioning: Product positioning is the creation of a clear image in the minds of consumers within the targeted segment about the nature of the product and the benefits to be gained from purchasing the product. Positioning is the complement of segmentation. That is, segmentation identifies those segments of the population that will act similarly and develops products to meet each segment's needs, whereas, positioning in conveys information about the products back to the segments for which they are appropriate.

Product positioning is achieved through a wide variety of marketing mix programmes in product design, pricing, distribution, and promotion consumer background characteristics are addressed primarily by creating advertising that features individuals who possess the characteristics of the target segment, but pricing must also be suitable for the economic attributes of the target market, and distribution must occur in the appropriate geographical areas. For example, Mercedes Benz advertises in magazines that reach upscale audiences and situates dealership in areas frequented by high income consumers.

Motivation and needs shape the product design by dictating the benefits the product must offer to its purchases. The level of motivation, through its influence the effort consumers will exert in perceiving and learning about the product as well as the strength of the attitudes they hold about the product. The box below discusses the pleasures of consumption that come from sharing a purchase experience with others in a reference group who share common background characteristics.

2.12 STRATEGIES TO POSITION PRODUCTS

Many ways exist for positioning a product or service (or even an organisation). The following illustrate some of these approaches. It should be noted that combinations of these approaches are also possible.

(i) Position on Product Features: The product may be positioned on the basis of product features. For example, an advertisement may attempt to position the product by reference to its specific features. Although this may be a successful way to indicate product superiority, consumers are generally more interested in what such features mean to them, that is, how they can benefit by the product.

(ii) Position on Benefits: This approach is closely related to the previous method. Toothpaste advertising often features the benefit approach, as the examples of crest (decay prevention), close-up (sex appeal through white teeth and fresh breath), and Aquafresh (a combination of these benefits) illustrate.

Position on Usage: This technique is related to benefit positioning. Many products are sold on the basis of their consumer usage situation. Companies have sometimes sought to broaden their brand's association with a particular usage or situation. Campbells soup for many years was positioned for use at lunch time and advertised extensively over noon time radio. It now stresses a variety of uses for soup (recipes are on labels) and a broader time for consumption, with the more general theme "Soup is good food".

(iv) Position on User: This approach associates the product with a user or a class of users. Some cosmetics companies seek a successful, highly visible model as their spokesperson as the association for their brand. Other brands may pick a lesser known model to portray a certain lifestyle in its ads. (revlon's charlie cosmetic line, for example).

(v) Position Against Competition: Often, success for a company involves looking for weak points in the positions of its competitors and them launching marketing attacks· against those weak points. In this approach, the marketer may either directly on indirectly make comparison with competing products. For example, the famous "Uncola" campaign successfully positioned up as an alternative to coke, Pepsi and other colas.

2.13 MARKETING RESEARCH

Before defining 'marketing research', let us define research. Research always starts with a question or a problem. Its purpose is to find answers to questions through the application of the scientific method. It is a systematic and intensive study directed towards a more complete knowledge of the subject studied.

Research can be classified into two broad categories: (i) basic research, and (ii) applied research. Basic research is sometimes called 'fundamental' research, 'theoretical research or 'pure' research. It aims at expanding the frontiers of knowledge and does not directly involve pragmatic problems. The essence of basic research is that it addresses itself to more fundamental questions and not to the problems with immediate commercial potential.

Applied research, on the other hand, proceeds with a certain problem, and it specifies alternative solutions and the possible outcomes of each alternative. Unlike basic research, it is prompted by commercial considerations. Though one may usually be able to distinguish between basic research and applied research, the distinction between the two sometimes gets blurred. Several firms may be engaged in basic research which does not have any immediate commercial use. However, it may be potentially commercial or else the firms would not have undertaken it at all.

Applied research can be divided into two categories: (i) problem-solving research, and (ii) problem-oriented research. Problem-solving research, as the name implies, is concerned with a particular issue or a problem and is usually proprietary in character. The latter characteristic indicates that such a research is undertaken within a firm or by an outside consultant on its behalf. Problem-oriented research, on the other hand, is concerned with a class of issues of problems in which several firms may be interested. Research of this type is usually concerned with conceptual aspects but is oriented towards applied problems.

2.13.1 Defining Marketing Research

Marketing research is a systematic and objective study of problems pertaining to the marketing of goods and services. It may be emphasised that it is not restricted to any particular area of marketing, but is applicable to all its phases and aspects. As marketing research tackles problems which seem to have immediate commercial potential, it should be regarded as applied research. We may also say that marketing research is of both types– problem-solving and problem-oriented.

The American Marketing Association (AMA) has defined marketing research as follows:

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.

Marketing research specifies the information required to address these issues; designs the" method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications.

The American Marketing Association while defining marketing research emphasises that its function is to provide information to management so that it can identify and react to marketing opportunities and problems. The AMA's definition of marketing research also indicates the scope and process of marketing research. In short, marketing research provides the requisite information for making marketing decisions.

2.13.2 What Kinds of Research are undertaken?

The research studies show the following usage of marketing research:

1. The measure-market potentials, characteristics of their markets, and their shares of markets.
2. To obtain information that could help them make short-range and long-range forecasts.
3. To evaluate new-product opportunities and acceptance, and to test existing products relative to competitors' products.
4. To help companies make better advertising decision.

2.14 WHY THE COMPANIES USE MARKETING RESEARCH

We have seen that there are many different ways that companies use marketing research. But why is it even necessary for companies to use something called "marketing research"?· The answer to this inquiry will help beginning marketing research students have a better understanding of why marketing research has evolved and is continuing to grow.

Several characteristics of modern business encourage the use of marketing research by businesses. First, the suppliers of products and services need to have information about final consumers in order to market their products and services more effectively. Second, as a company grows and starts distributing its products in a number of different markets, the managers of the company find themselves becoming more separated from the final consumers of their products.

I. Managers Are Separated from Their Final Consumers

Many manufacturers distribute their products through their own sales personnel to wholesalers, who in turn sell those products to retailers, who then make the sale to the final consumers. In their normal course of business many manufacturers have little direct contact with the retailers of their products and no contact at all with the final consumers of their products. Thus, the marketing managers in such firms are separated from their final consumers by geographical distance as well as by a number of layers of people within their own organizations and within their wholesalers' and retailers' organizations.

Although retailers and service organizations have direct contact with their customers, managers of retail operations often have little knowledge of their customer's attitudes, opinions and preferences because sales clerks and other store personnel do not relay customers' comments to their managers. A retailer also has no contact with potential customers, that is, with individuals who do not currently patronize the retailer's store but who might become customers if the retailer could identify them and learn what would be effective in attracting them.

II. Marketers Need Information about their Final Consumers

Manufacturers, retailers, suppliers of all kinds of services, and many other organizations need certain kinds of information in order to be able to satisfy their customers' wants and needs and to design effective marketing programs while still earning a profit. At least five such information topics are of great interest to marketing managers. These five topics, and some of the questions marketing managers have regarding them, are as follows:

Target market: What is the best target market for the products or services being offered by the organization? How large is the target market and how can it be described? What are the attitudes, opinions, preferences, lifestyles, and so on of its consumers?

Products/Services: Regarding particular products and services, how for the market is satisfied or dissatisfied with what is currently available? What product features and benefit5 do those consumers desire? How do they compare the organization's product with those offered 'by competitors?

Price: How much value does the target market place on the product in question? What products are they willing to substitute for the product in question? What prices are charged for those substitutes? What advantages does the organization's product have that might allow it to charge a higher price?

Distribution: What distribution channel is the target market most likely to use when purchasing the product in question? Is the organization's pricing in line with what the target market expects to pay for the product when purchased through that channel? Does the pricing include the size of margin the channel traditionally expects to receive? Will the channel be able to provide the service or support needed for the product?

Promotion: What can the organization say in its advertisements about its product that will appeal to the target market and lead them to consider the organization's product more attractive, than those offered by competitors? Through what medium(s) should the organization advertise? What specific vehicles (i.e. what specific television programs or newspapers) should the organization use to carry the advertisements? How often should the advertisements appear, and how much money should the organization spend on advertising? Should personal selling be used? If so, then how?

Marketing managers in most organizations need answers to some or all of these questions. Obtaining answers to many of these questions requires contact with final consumers. Because most manager are separated from their final consumers- and from the information they need- business and other organizations are increasingly turning to marketing research to obtain the information they need for decision making.

2.15 APPLICATIONS OF MARKETING RESEARCH

Following are number of examples on the applications of marketing research. They clearly bring out how marketing research has been helpful in resolving marketing problems or in identifying opportunities for the development of new products.

1. A pharmaceutical company carried out a study on the prescription behaviour for a major brand on account of its declining sales. The study brought out interesting findings on a number of aspects such as the relationship between the sales and the age of the brand, its regular promotion, its core therapeutic emphasis and the role of retailers in servicing prescription. On the basis of findings of the study, the company changed its marketing strategy. This enabled it to regain the lost market share of its brand.

2. **Malayala Manorama**, which is Kerala's largest publication group, has recently launched a monthly women's magazine in Hindi, *Vanita*. While launching this magazine, the management observed that it was convinced through market research that there was a huge vacuum in the Hindi magazine segment. This new magazine *Vanita* has been positioned as a partner and friend that the modern woman can identify with. The first print run of *Vanita* was one lakh copies. Indications are that within a short time it may become one of the popular Hindi magazines.

3. **Cadbury India Limited** launched Picnic from its international portfolio in February, 1998. It is wrapped in vibrant colours of red, blue and yellow in conformity with its international packaging. Earlier, Cadbury Indian Limited commissioned a consumer research study in Mumbai. The results of this study were encouraging and showed that the Indian youth is always interested in experimenting with new food options.

4. **Procter and Gamble (P&G)** launched Menthol, an international vibrant of Head & Shoulders. This joins the extra-conditioning anti-dandruff shampoo of the same brand. The company conducted a market research study prior to its launch. The findings of the study indicated a distinct need for a menthol-based shampoo. The study showed that in hot and humid conditions as in India, consumers prefer a shampoo which not only removes dandruff but also provides a cool and tingling sensation to the scalp.

5. Another example from P&G shows how marketing research is used to identify new opportunities in the marketplace. The company was getting a lot of data on *Vicks-Vaporub*. The analysis of such data revealed that the most common symptom of cold was a headache and that majority of adults typically take a pill to cure it. This disclosed an opportunity for a product that can treat the headache as well as the other symptoms. The company thus launched Action 500. It not only treated headache but also gave relief from blocked nose. Marketing research can therefore lead to the development of a new product.

6. **Pepsi Foods** has assigned great importance to marketing research. Through research it gets systematic information about its markets and its customers. All its research is

done by the IMRB. Broadly, research studies done for Pepsi Foods fall in the following three areas:

(i) Studies undertaken on a continuous basis like marketing tracking studies and retail audits.

(ii) Studies are from time to time as per the requirement of the company such as a study to ascertain the effectiveness of an ad campaign.

All these types of research studies have tremendously helped Pepsi Foods to strengthen its position in the market. It feels the pulse of the market and is always in touch with the latest developments in the market.

7. Another mu1tinational company **Whirlpool Asia** lays considerable emphasis on marketing research. In this company, every activity, strategy and decision is based on data collected through the research process. It believes in planning research in advance though it is rather difficult. It strives to have a meaningful dialogue with the consumer in order to know his real opinion about its products, what difficulties he experiences and what suggestions he has to offer. Information thus received proves to be quite useful to the company in modifying its products or in evolving new ones.

Whirlpool has gained an insight into the various segments in the market. In India, it has segmented the market on the basis of the different stages of the product life cycle.

Decisions like which size of refrigerator should be put in the market or what should be the price of a particular model are based on research. Marketing and Research Group (MARG) has been the main marketing research agency for Whirlpool.

2.16 LIMITATIONS OF MARKETING RESEARCH

The preceding discussion on the different applications of marketing research should not lead anyone to assume that marketing research can solve all the problems of marketing. While it can be extremely rewarding to a firm, it is wise to know that it is subject to certain limitations. One must be aware of these limitations in advance so that one is clear about what marketing research can and cannot do. The following are the main limitations of marketing research:

First, many a times, marketing research tends to be fragmentary in its approach as a result of which it becomes difficult to have an overall perspective in which a marketing problem is to be viewed and studied.

Second, marketing research is criticised on the ground that it becomes too superficial and faulty in industry. While the principles of marketing research are good and based on scientific lines, in industry, marketing research is very often used by those who have had no for!llal training in the subject. Such persons avoid using detailed investigations and sophisticated techniques which require both time and patience on the part of marketing researchers.

Third, there is an absence of a meaningful dialogue between the marketing management and the marketing research team. As a result, marketing researchers get divorced from the main stream of marketing. This denies them any opportunity to test their findings in the practical marketing situation. Marketing researchers tend to think that "research is the be all and end all". This attitude further reduces the utility of research to the management.

Fourth, marketing research is not an exact science. There are several problems which come in the way of getting accurate results. For example, consumer behaviour is an area which is rather elusive and the theory does not go very far in disclosing it very precisely. Analytical tools of marketing research are still deficient and cannot give us a precise idea, especially on the behavioural aspects.

Apart from these limitations of marketing research, one finds that it is sometimes *misused*. These mis-applications, strictly speaking, are not the limitations of the subject as such.

Another misuse of marketing research is found in deliberately delaying decision-making. In the hands of vested interests, it may be used to avoid taking a certain decision or delaying it until the findings of marketing research are available.

Finally, it is used to grab power and authority in an organisation. Executives who are over-ambitious may use marketing research· to consolidate and strengthen their position in the organisation as also to extend their authority over their colleagues.

2.17 MARKETING MIX (4PS) - Profounded by Jerome McCarthy

Product - A product is seen as an item that satisfies what a consumer needs or wants. It is a tangible good or an intangible service. Intangible products are service based like the tourism industry, the hotel industry and the financial industry. 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.[1]

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 falls. 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 through each stage.[1]

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.[1]

Price – The price is 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 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.[1]

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, marketing penetration 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.[1]

Promotion - represents 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 relations, personal selling and sales promotion.

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).[1]

Place - refers to providing the product at a place which is convenient for consumers to access. Place is synonymous with distribution. 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.[1][3]

The 'seven Ps' refers to the already mentioned four Ps, plus 'physical evidence', 'people', and 'process'. 'Physical evidence' refers to elements within the store — the store front, the uniforms employees wear, signboards, etc. 'People' refers to the employees of the organisation with whom customers come into contact with. 'Process' refers to the processes and systems within the organization that affects its marketing process.[4] These later three factors are not cited nearly as often as the first four outlined in depth above.

Four Cs: the consumer-oriented model

Robert F. Lauterborn proposed a four Cs classification in 1993[5] which is more consumer-oriented version of the four Ps that attempts to better fit the movement from mass marketing to niche marketing:

- Product part of the four Ps model is replaced by "consumer", shifting the focus to satisfying the consumer needs. Another C replacement for "product" is "capable". By defining offerings as individual capabilities that when combined and focused to a specific industry, creates a custom solution rather than pigeon-holing a customer into a product.
- Price is replaced by "cost", reflecting the total cost of ownership. Many factors affect cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service.
- Promotion is replaced by "communication", which represents a broader focus than simply promotions. Communications can include advertising, public relations, personal selling, viral advertising, and any form of communication between the firm and the consumer.
- Place is replaced by "convenience". With the rise of internet and hybrid models of purchasing, Place is becoming less relevant. Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.

2.17.1 What is a product category?

A product category is a way to organize products in your store by the type of products you sell. For example, if you sell electronic products then your categories might be *computers, televisions, projectors, speakers and cell phones.* If you however only sell one type of product from your store, such as t-shirts, then your categories might be *v-neck, sweaters and hoodies.*

Categories are one of many ways that visitors to your store can find the products they want to buy. Other ways include:

- Shopping by brand
- Shopping by price
- Searching
- Looking at related products
- Looking at popular/top selling products

Target market

Atarget market is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise towards.[1] A well-defined target market is the first element to a marketing strategy. The target market and the marketing mix variables of product, place(distribution), promotion and price are the four elements of a marketing mix strategy that determine the success of a product in the marketplace.

Brand

A **brand** is a "Name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers."[1]*Branding* began as a way to tell one person's cattle from another by means of a hot iron stamp. A modern example of a brand is *Coca Cola* which belongs to the Coca-Cola Company.

Positioning:

In marketing, **positioning** has come to mean the process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization.

Re-positioning involves changing the identity of a product, relative to the identity of competing products, in the collective minds of the target market.

De-positioning involves attempting to change the identity of competing products, relative to the identity of your own product, in the collective minds of the target market.

The original work on positioning was consumer marketing oriented, and was not as much focused on the question relative to competitive products as much as it was focused on cutting through the ambient "noise" and establishing a moment of real contact with the intended recipient. In the classic example of Avis claiming "No.2, We Try Harder," the point was to say something so shocking (it was by the standards of the day) that it cleared space in your brain and made you forget all about who was #1 and not to make some philosophical point about being "hungry" for business.

The growth of high-tech marketing may have had much to do with the shift in definition towards competitive positioning. An important component of hi-tech marketing in the age of the world wide web is positioning in major search engines such as Google, Yahoo and Bing, which can be accomplished through Search Engine Optimization, also known as SEO. This is an especially important component when attempting to improve competitive positioning among a younger demographic, which tends to be Web oriented in their shopping and purchasing habits as a result of being highly connected and involved in social media in general.

2.18 PRODUCT DECISIONS: PRODUCT LIFE CYCLE AND PRODUCT MIX

2.18.1 PRODUCT DEFINED

(i) A product is anything that can be offered to a market to satisfy a want or need.

(ii) A product is "a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer's prestige, manufacturer's and retailer's services, which the buyer may accept as offering satisfaction of wants or needs.

It may be emphasized, as brought out in these definitions, that customers buy a product not only for "what it is" but also for "what it means" to them. A person buys a refrigerator not only for what it will do for him in terms of providing him physical need satisfaction but also for the social prestige and ego satisfaction that he derives from its possession. People buy things which agree with their self-image and self-concept. If a person perceives himself as a upper class professional, he will buy a product which will reinforce this self-concept.

Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

Product Levels

In planning its market offering, the marketer needs to think through five levels of the product. Each level adds more customer value, and the five levels constitute a customer value hierarchy. The most fundamental level is the core benefit: the fundamental service or benefit that the customer is really buying. A hotel guest is buying "rest and sleep". The purchaser of a drill is buying "holes". Marketers must see themselves as benefit providers.

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

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

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

Today's competition essentially takes place at the product augmentation level. Some important points should be noted about product augmentation strategy. First, each augmentation adds cost. The marketer has to ask whether customers will pay enough to cover the extra cost. Second, augmented benefits soon become expected benefits. Today's hotel guests expect a remote-control television set and other amenities. This means that competitors will have to search for still other features and benefits. Third, as companies raise the price of their augmented product, some competitors can offer a "stripped-down" version at a much lower price.

At the fifth level stands the potential product, which encompasses all the possible augmentations and transformations the product might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offer. All-suite hotels where the guest occupies a set of rooms represent an innovative transformation of the traditional hotel product. Successful companies add benefits to their offering that not only satisfy customers but also surprise and delight them. Delighting is a matter of exceeding expectations.

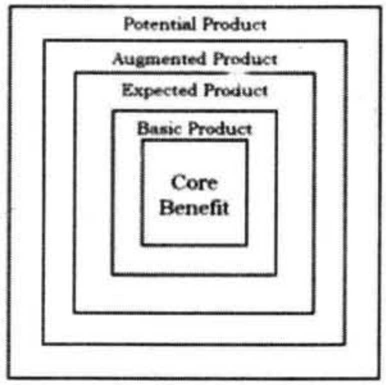


Fig. 1: Five Product Levels

Importance of Product in Marketing-Mix

Product is the most powerful competitive tool in the hands of a marketing manager. It lies at the heart of marketing mix, and all its other elements including pricing, distribution and promotion depend on the product positioning in the market. Product types, quality, features and design largely determine production and marketing cost, and consequently exercise a major influence on price. These aspects of a product also playa major role in the determination of a firm's competitive strategy. If a manufacturer's product cannot be differentiated from that of his competitors, he may have to take recourse to price competition in order to attain the targeted sales volume or market share. On the other hand, if the product is of a type which can be differentiated from competing products as in the case of radios, refrigerators, soaps, etc., a marketing manager may put his major trust in non-price competition. He may seek to attract customers to his product by building style, special features, reliability, quality, etc., in the product.

Product also acts as a determining factor in the choice of channel of distribution. If the product is a complex industrial machine or component part used by other manufacturers, it is likely to be sold directly by the manufacturer without using any middlemen. A mass consumption product such as toothpaste needs a very wide network of distribution, and every grocer and general merchandiser will have to be contacted either by the manufacturer's salesman or wholesaler. Speciality goods such as fans and transistors need a different kind ~f distribution channel than shopping goods.

Finally, promotion strategy also revolves around the product. Whether major thrust in promotion will be on personal selling, advertising or sales promotion significantly depends on the product type. Industrial goods generally need major emphasis on personal selling. Mass consumption products need major emphasis on advertising and sales promotion.

The basic purpose of the existence of a business enterprise is to produce and market a product that will provide satisfaction to its customers. If a company is unable to perform this basic function efficiently and effectively, it will be driven out of business by competition. Thus, a firm which fails to perform its social function of providing need satisfaction to consumers loses social patronage and ceases to exist.

In the final analysis its ability to meet customers' need depends on the product which it supplies to the market.

A firm's products thus play a crucial role not only in its marketing success but also in its existence as a competitive business entity. It should, therefore, devotes considerable attention to the determination of its product objectives and formulation of its product strategy.

2.19 PRODUCT CLASSIFICATION

We are aware that a product has many intangible as well as tangible attributes. With this broad perspective in mind, it is now appropriate to consider products in identifiable groups. This can be done formally using a classification system which aids market planning.

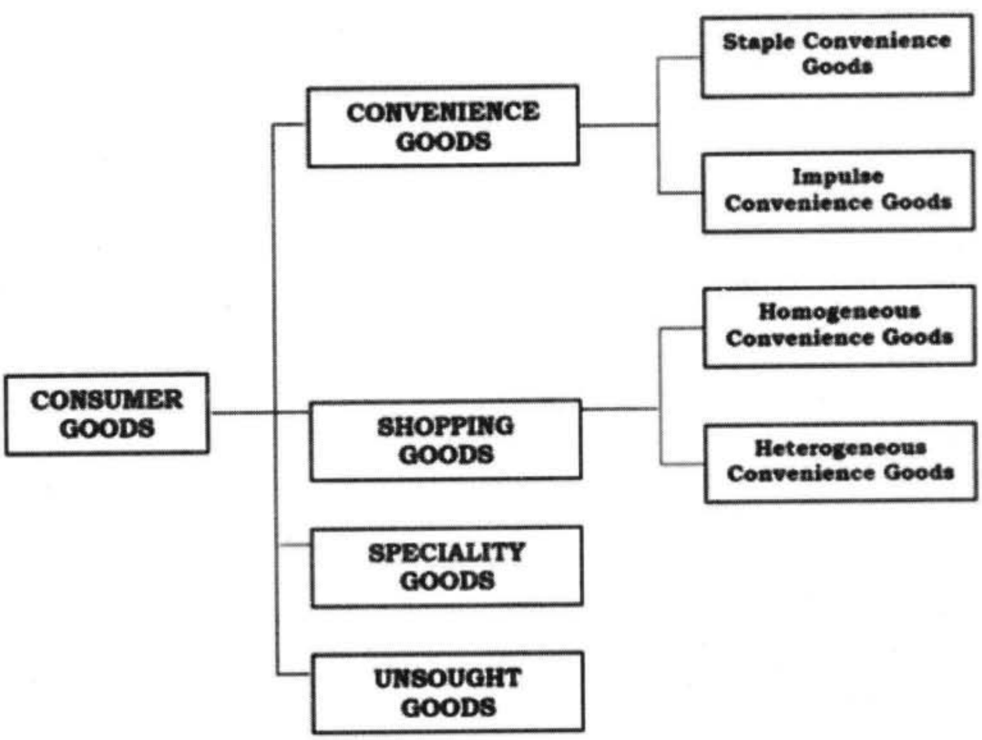


Fig. 2: Classification System for Consumer Goods

2.19.1 Consumer goods

Figure 2 shows different sub-categorizations for consumer goods.

1. Convenience Goods: These are usually relatively inexpensive items whose purchase requires very little effort on the part of the consumer. The weekly shopping list, for the most part, is composed of convenience goods. The decision process is complicated by the existence of brands which force the consumer to make comparison and choices. One of the principal tasks of advertising is to try to predetermine the purchase decision for convenience goods so that the consumer always buys, or mentally lists, a certain brand rather than first thinking of the generic product and then making a brand-choice decision.

Convenience goods can be further classified into (i) staple and (ii) impulse items.

(i) Staple convenience goods: Staple convenience goods are those consumed by most people every day (e.g. milk, bread and potatoes). Product differentiation for staple items tends to be minimal. If a sudden need arises for a product, or it has been overlooked during a major shopping outing, then even less thought is put into the purchase decision.

(ii) Impulse convenience goods: As the name implies, there is no pre-planning involved with the purchase of impulse convenience goods. The decision to make an impulse purchase is made on the spot.

2. Shopping Goods: This classification includes major durable or semi-durable items. Because shopping goods are generally more expensive than convenience goods and the purchases are less frequent, shopping goods purchase are characterized by pre-planning, information search and price comparisons. The purchase of a car, for example, will involve extensive consideration of the relative merits of the products on offer. In addition to product features the consumer will consider price, place of purchase, purchase (credit) terms, delivery arrangements, after-sales service and guarantees. The quality of sales staff in stores is critical to the success of the marketing of shopping goods. Shopping goods can be further classified as homogeneous or heterogeneous items.

Homogeneous goods: White goods such as washing machines, refrigerators etc. are homogeneous in nature. These are goods which are virtual necessities, and in market terms, they are not particularly far apart from each other in terms of price, prestige or image.

Heterogeneous goods: Heterogeneous shopping goods are stylized and non-standard. Here, price is of secondary importance to the consumer after image. Behavioural factors play an important role in the purchase decision.

3. Speciality Goods: The purchase of speciality goods is characterized by extensive search and extreme reluctance to accept substitutes once the purchase choice has been made. The market for such goods is small but prices and profits are high. Consumers of speciality goods pay for prestige as well as the product itself. Companies who market these goods must be particularly skilful at creating and preserving the correct image. If the marketing is successful, the customer's search period can be reduced or almost eliminated in some cases. For instance, some consumers will decide on a particular designer label for clothes or jewellery long before the actual purchase is considered.

4. Unsought Goods: Promoting and selling 'unsought' goods makes up the area of marketing which is most susceptible to criticism. By definition, the customers have not considered their purchase before being made aware of them, and could often do without them.

The consumer may be at a disadvantage when confronted with unsought goods because they probably will have been no opportunity for evaluation and comparison. The consumer may also be suspicious of any 'offer'. Unsought goods must therefore be marketed in a sensitive manner. The methods of marketing usually employed are direct mail, telephone campaigns, door-to-door canvassing and the dubious practice of 'sagging' (selling under the guise of market research).

The marketing implication of this system of classification is that it accurately reflects buying behaviour for large groups of consumers. Naturally, a company is likely to segment its market within a given product class, but the classification system allows for a basic understanding of buyer behaviour as a function of the product.

2.19.2 Industrial Goods

The classification of industrial goods gives an insight into the uses to which the goods are put, and the reasons for their purchase, allowing a better understanding of the market, and therefore better strategy design.

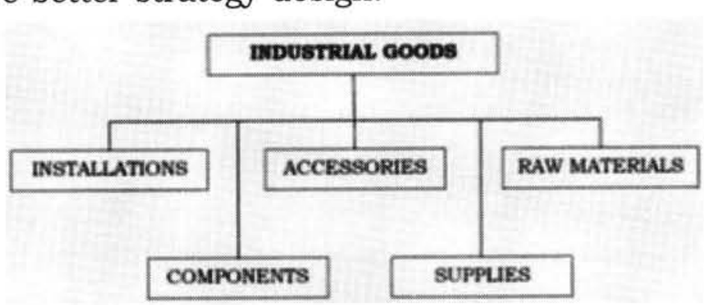


Fig. 3: Classification of Industrial Goods

However, the company could not function without a whole range of other items which, while not being integral to the manufacturing process, are nevertheless essential to the overall running of the company. For example, any company needs office furniture and equipment, stationery and cleaning materials which are all ancillary to the manufacturing process.

Goods required by industry are shown in Figure 3 and classified into the formal groups described below:

1. Installations: These are the most expensive and critical purchases a company has to make. They are the major items of plant and machinery which are required for the production of a company's product. If a company makes a mistake in its choice of office equipment or building maintenance services this can be costly, but it is unlikely to seriously threaten the company's future. However, if a range of machinery is purchased which is subsequently found to be unsuitable; this could jeopardize the complete production base. The purchase of installations is, therefore, the result of a very extensive search process. Although price is very important in such a decision, it is almost never the single deciding factor. Much emphasis is placed on the quality of sales support and advice and subsequent technical support & after-sales service.

2. Accessories: Like installations, these are considered as capital items, but they are usually less expensive and are depreciated over fewer years. Their purchase is important for the company, but not as critical as installation purchase. Accessories include ancillary plant and machinery, office equipment and office furniture. In the case, of say, a haulage company, forklift trucks, warehousing equipment and smaller vehicles would be classified as accessories.

3. Raw Materials: The purchase of raw materials probably accounts for most of the time and work-load of a typical purchasing department. There is a direct relationship between raw material quality and the quality of the company's own finished product. Therefore it is vital that quality, consistency of supply, service and price are optimized.

Price is particularly important because these goods are purchased throughout the year and have a direct and continuous effect on costs.

4. Component Parts and Materials: The supply considerations for these items are similar to those for raw materials. Component parts and materials include replacement and maintenance items for manufacturing machinery. In this sense they should not be confused with 'accessories'. This category also includes those products which facilitate or are essential in the manufacturing process but which do not form part of the finished product, e.g. oils, chemicals, adhesives and packaging materials.

5. Supplies: These can be likened to the 'convenience goods' of industrial supply. They are probably taken for granted by most company employees and include such goods as office stationery, cleaning materials and goods required for general maintenance and repairs. The purchasing process is often routine and undertaken by less senior employees. Most supplies are relatively homogeneous in nature and thus price is likely to be a major factor in the purchasing decision.

The industrial product classification system can be linked closely to industrial buying behaviour. It is a common misconception to regard all industrial purchasing as being rigid routinely in its logic. It is true that the industrial buyer is dealing with someone else's money and the amounts are usually large in comparison to individual consumer purchases. This means that the consequences of error are far graver. Industrial decision-making is therefore generally more considered than individual consumer behaviour. Industrial buyers are, nevertheless, human beings, and they base decisions upon a variety of criteria in addition to those of price, quality and delivery.

2.20 THE PRODUCT LIFE CYCLE

The idea of a product life cycle (PLC) is central to product strategy. It is based on the premise that a new product enters a 'life cycle' once it is launched in the market. The product has a 'birth' and a 'death'- its introduction and decline. The intervening period is characterized by growth and maturity. By considering a product's course through the market in this way, it is possible to design marketing strategies appropriate to the relevant stage in the product's life. In addition to the stages outlined, an additional stage is often discussed- that of saturation, a levelling off in sales once maturity is reached and prior to decline.

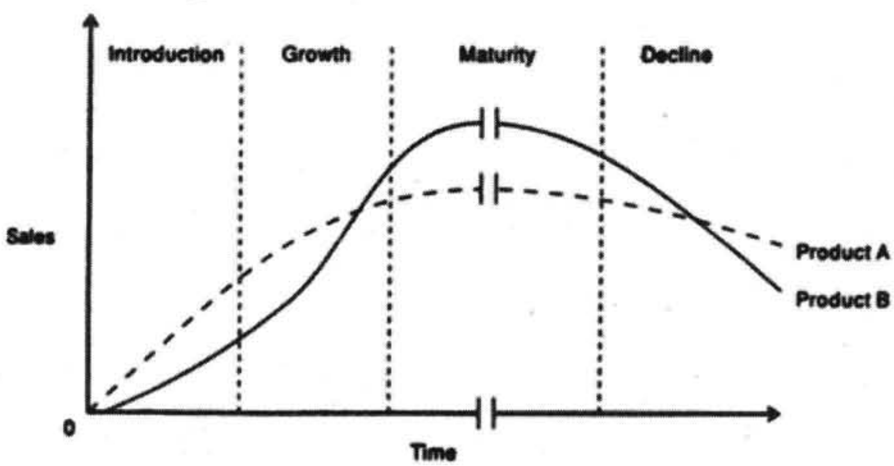


Fig. 4: Stages of Product Life Cycle

Figure 4 shows the courses for the hypothetical life cycles of two different products. Because the marketing environment is essentially dynamic, even basically similar products are likely to react differently during their life span.

The PLC is influenced by the following factors:

1. The intrinsic nature of the product itself
2. Changes in the macro-environment
3. Changes in consumer preferences, which are affected by the macro-and microen-vironment
4. Competitive action

In strategic terms, the task of marketing management is to:

1. Estimate the likely shape of the total curve
2. Design an appropriate strategy for each stage
3. Identify the product's movement from one stage to another

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

2.20.1 Life Cycle Stages and their Associated Strategies

1. Introductory Stage: This is the period relating to a new product launch and its duration depends- on the product's rate of penetration through the market segment concerned. The period ends when awareness of the product is high enough to attract wider user groups so that sales are correspondingly increased. The typical conditions associated with the introduction stage are:

- A high product failure rate
- Relatively few competitors
- Limited distribution (often exclusive or selective distribution)
- Frequent product modifications

Company losses, because development costs have not yet been recouped, promotional expenditure is relatively high in relation to sales and economies of scale are not yet possible.

The prime goal at this stage is to create awareness. This usually involves a disproportionate level of marketing expenditure relative to sales revenue. Clearly, this must be regarded as an investment in the product's future.

The introductory pricing strategy will depend on the type of product in terms of its degree of distinctiveness. The company may wish to achieve high sales levels in a short span of time or slowly establish a profitable niche in the market place.

The firm has two basic strategic options open to it.

1. A skimming pricing strategy involves the application of a high price to a small target group of consumers, the innovators and early adopters. While the product remains distinctive, growth can be encouraged by a planned series of progres-sive price reductions.

2. A penetration pricing strategy is employed to attract the largest possible number of new buyers early in the product's life. It involves pricing the product at a low level and is appropriate where demand is elastic and where there is a high level of competitive activity.

In both cases, the role of pricing at this stage of the life cycle is to establish the product in such a way as to permit further strategy to be implemented in the subsequent stages. A skimming approach, for example, should 'set the scene' for product distinctiveness to be retained for as long as possible. While profits are not necessarily forthcoming during introduction, the introductory pricing strategy should prepare for profitability in the future.

Distribution decisions will be determined by expected penetration or skimming. In all cases, it is of paramount importance that the product is available to the intended market. Ineffective distribution has invalidated the costly efforts of the other marketing functions of many companies. Out-of-stock situations provide competitors with opportunities to take market share and it can be costly to win it back.

2. Growth Stage: During growth stage the product is still vulnerable to failure (although most failures occur early in the product's life). Competitive products, perhaps launched by more powerful firms, can enter the market at this stage. These may pose a threat sufficient to cause some firms to withdraw from the market. In general, the characteristics of growth are:

- More competitors and less product distinctiveness
- More profitable returns
- Rising sales
- Company or product acquisition by larger competitors

Promotional expenditure should still feature highly in the marketing budget at this stage because this is the best time to acquire market share. It should, however, be at a level which does not drain profits, although it is not unusual for very high levels of expenditure to continue throughout growth in order to achieve profitable market dominance during the maturity stage.

Distribution retains its importance during growth. In consumer markets, in particular success will depend on finding shelf space in retail outlets, which now tends to be controlled by a small number of powerful mu1tiple operators. Once a 'hierarchy' of brand leaders has been established, powerful buyers in retail multiples will attempt to rationalize their list of suppliers. Distribution will be a key factor in such decisions, because retailers will wish to keep their stock levels to a minimum. In other markets, distribution is equally important because during growth, suppliers will be in competition with each other to acquire dealership and distributive outlets.

A company must attempt to optimize the product's price during growth and it is likely that towards the end of this period, there is the opportunity to maximize profits. Paradoxically, the end of growth is sometimes characterized by reduced prices (even though profits may be still high). This is because the full effect of economies of scale is often passed on to customers. As the growth period tends towards maturity, market shares will tend to stabilize and a hierarchy of brand or market leaders will probably have emerged.

3. Maturity Stage: Due to the time-scales of PLCs, at anyone time, the majority of products are in the maturity stage of the life cycle. Much marketing activity is devoted to this stage. The major characteristics of the maturity stage are:

- Sales continuing to grow, but at a very much decreased rate
- Attempts to differentiate and re-differentiate the product
- Prices beginning to fall in battles to retain market share. Profits begin to fall correspondingly
- Increasing brand and inventory rationalization amongst retailers and distributors
- Marginal manufacturers retiring from the market when faced with severe competition and reduced margins

It should be emphasized that market growth has ceased by this stage. Any growth can only be achieved at the expense of competitors. There is, therefore, a need for sustained promotional activity, even if only to retain existing customers. Deciding the level of promotional expenditure can be a problem in view of contracting profit margins.

In line with the aims of promotion, distribution strategy should be designed to retain outlets. A retail outlet or distributorship which is lost during maturity is unlikely to be easily regained at a later stage. To this end, the major thrust of promotional effort may move from the consumer to the distributor.

Price war should be avoided where possible, because the usual result of initiating price cuts is to reduce revenue for all market participants. The aim of price cutting should be to increase purchases sufficiently to offset any revenue loss.

4. Decline Stage: While the shape of the PLC curve is theoretical and should never be regarded as inevitable, persistently falling sales signify the decline stage of the product. Market intelligence should be able to identify the cause of this phenomenon. Consumer preferences may have changed or innovative product may have displaced the existing product.

- Sales falling continually for the total period
- Intensification of price cutting
- Producers deciding to abandon the market

As stated earlier, the decision to abandon a product poses problems for the firm and is often not made early enough. On the other hand, it may be worth extending the product's life well into decline while the number of competitors is falling.

While continuing in the market place" management's attention is likely to move from active marketing to very strict cost control. Cost control and cost reduction is, of course, always an important element of management activity, but during decline this may be the only method of maintaining profitability.

2.20.2 The Product Life-Cycle as a Management Tool

The key to the successful use of the PLC concept is the ability to identify accurately the transition from one stage to another. This requires the company to be highly marketing-oriented and marketing-motivated, making extensive use of relatively sophisticated marketing research and marketing intelligence techniques. Once such a situation is feasible, management has the basic framework for a long term strategic-planning tool. In particular, use of the PLC provides two valuable benefits.

1. A predictable course of product development for which appropriate strategies can be planned and budgeted.
2. The scope to plan beyond the life of the existing product.

An important point about the product life cycle is that although every product goes through various stages in the cycle, the length of various stages varies from product to product. Mass consumption products which are repeatedly purchased time and again generally have much longer periods of growth and maturity than durable consumption goods. For example, toothpaste has been in the market since a long time and will probably remain there during the foreseeable future, whereas du-rable goods like radios have been replaced by television and transistors to a great extent. Secondly, a firm may, through effective product strategy, prolong the growth and maturity stages in the life cycle of its products. This can be done in various ways: (i) by modifying the product; (ii) by encouraging the frequency of use of the product; (Hi) by cultivating a new market for it; and (iv) by finding new users in the existing market. Stimulating new uses and new users and product modification to increase sales is called product re-launch.

One of the major strategies for extending the growth and maturity stages of a product is to modify it. Product modification may be aimed at improving its functional utility, quality, style, etc.

Functional modification of a product involves improving its efficiency, reducing its cost, funding its new applications, adding safety features, increasing ease of handling, etc. For example, redesigning of sofas into sofas convertible into beds gave a tremendous boost to their sales in cities like Bombay where lots of people have only a limited living space available to them. It may be emphasized that such product modification should fill a real customer need and be so perceived by him. The real problem with functional modification is that it may add to the cost of production, and consequent increase in price may have an adverse effect on its sales. Moreover, functional modification made by one firm, if successful, is going to be copied soon by its competi-tors, and the innovator may soon lose the initial competitive edge over them. Nevertheless, expansion in the primary demand of the modi-fied product is going to benefit it if it can maintain or increase its market share.

Many companies seek to extend the growth and maturity stages of their products by making changes in their quality. This change in quality may affect its durability, performance, operational cost, operation time, etc. Quality may be improved or reduced as part of product modification strategy. Negative change in quality may be made when it is intended to position the product in the lower income group mar-ket by reducing its price. On the other hand, improvement in quality is aimed at holding its present customers as well as to attract the existing customers of a competing superior brand.

Style changes play an important role in expanding the market of a product. This product strategy has been most successfully followed by the automobile makers in the U.S., where annual models of cars have become an accepted part of the automobile market. In India, style changes in products are most common in textiles and shoes. Many other products such as fans, transistors, refrigerators, furniture, etc., have undergone so much style modification during the last one decade or so that it is hard to conceive what will be the style at the end of the next decade.

Sometimes a firm may seek to expand its market just by creating an illusion of product modification without making any significant change in the product itself. This is often done by making changes in packag-ing and advertising appeal. Manufacturers of some pain relievers like Aspro and Anacin are claiming better product effectiveness even though they have made hardly any significant chemical improvements in their products.

2.21 PRODUCT MIX

The first task of a marketing manager is to answer the question, "What products are we going to sell"? Since a marketing-oriented company sells bundles of customers' satisfactions, and not merely physical products, the strategic task requires determination of satisfactions which the company proposes to sell to customers. This requires consideration of not only the functional aspects of the product but also its features, design, colour, style, price, distribution channels, after-sales services, etc.

A related product strategy decision involves the consideration of the depth and breadth of the product line. For example, the marketing manager of a fan manufacturing company has to decide whether he should sell all kinds of fans including table, ceiling and pedestal fans, of all standard sizes, and in various price ranges to suit the pocket of customers of all income groups. He may choose to market a limited product line or a full product line.

Many companies produce a number of product lines now-a-days. For example, the CIBA Geigy Co. produces pharmaceuticals and toothpaste. The breadth of the product line like its depth depends on a company's resources, objectives and plans for future expansion and growth. A company may diversify by broadening its product line in related products or unrelated products or both in related as well as unrelated products. In the above example of the CIBA-Geigy, the company has diversified in unrelated products. This is called scramble diversification. On the other hand, Bata Shoe Company has diversified in related products by marketing socks, boot polish, etc. This is called related product diversification.

In certain situations, a company may adopt the strategy of slimming or contracting the product mix. It may do so by abandoning a product line, or reducing the variety of models in a product line, called product line simplification. In the U.S.A., a trend of trimming the product line was witnessed in the 1970s. Many companies like Xerox, Radio Corporation of America, General Electric, etc., dropped certain product lines altogether and also thinned certain fat product lines. The objective of trimming the product line is to abandon the low-sales volume and low-profit products and concentrate on a limited number of high-profit products.

Product-Mix Defined

"A product mix (also called product assortment) is the set of all products and items that a particular seller offers for sale".

It is the set of all product lines and items that a particular company offers to buyers. The width of a product mix refers to how many different product lines a company carries. For example, Proctor & Gamble's (P & G) product mix in India consists of four lines such as detergents, bar soaps, personal hygiene products and disposable diapers.

The depth of a product mix refers to how many variants of each product are offered in the line, e.g. 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 (SKUs).

The consistency of a product mix refers to how closely related the various product lines are intend use. Hence, Nestle's product lines are consistent in the sense that they are all food products, P & G has an unrelated product mix.

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. A broad width or deep mix goes to satisfy the needs of several consumer groups and maximize shelf-space and sustain dealer support.

A consistent mix is generally easier to manage than diversified mix. It allows the marketer to concentrate on its core competence, build or create a strong image among consumers and trade channels. However, excessive consistency may leave the marketer to a narrow range of business. Example, Indian Tobacco Company (ITC) being in the tobacco business, is vulnerable to environmental threats, the vagaries of business or sales fluctuations if consumer groups are too sharply defined. On the other extreme, companies like Philips, Videocon, BPL, etc. may enjoy the benefit of a diversified product mix. The following discussion will highlight the various considerations taken in deciding the product line.

2.22 PRODUCT LINE

It is a group of products that is closely related because they perform a similar function, targeted at the same customer groups, and marketed through the same channels. The important attributes associated with product line are discussed below:

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. Downward stretch 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 then the down market Ariel bar was introduced to tap the lower segment.

Conversely, upward stretch occurs when a company enters the upper end through a line extension. The reasons 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 hygienic bath soap for the masses to a premium quality liquid hand wash for the higher strata of society. Throughout this stretch the brand had used hygiene as is core benefit, so that there was no dissonance in the minds of consumers.

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 utilize excess capacity.
- Trying to offer a full line of the product.
- Trying to plug holes 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 a cologne variation with blue wrapping apart from the initial Cinthol fresh. There is also a Cinthol International, packed in a red pack with a picture of mountains depicting freshness. The company needs to differentiate each item in the consumer's mind. For this, each item must possess a difference which sets it apart from the others.

3. Line modernization: Even when the product line length is adequate, the line might need to be modernized. The issue is whether to overhaul the line completely or one at a time. A piecemeal approach allows the company to see how customers and dealers react to the new style. Piecemeal modernization is less of a drain on the company's cash flow. A major disadvantage of piecemeal modernization is that it allows competitors to see changes and start redesigning their own line.

In the rapidly changing market, product modernization 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 competitors can establish a strong foothold.

4. Line featuring: In the 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 the lack of demand.

2.22.1 Managing Line Extensions

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Managing true innovation: Line extension is an effective way to foster and manage true innovation, thereby enhancing the value proposition, expanding the usage contexts, and blocking competitive entry.

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

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

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

2.23 NEW PRODUCT DEVELOPMENT

To compete effectively and achieve their goals, organisations must be able to adjust their product mixes in response to changes in customers and customers' needs. A firm often has to introduce new products, modify existing products, or eliminate products that were successful perhaps only a few years ago. To provide products that satisfy target markets and achieve the organisation's objective, a marketer must develop, alter, and maintain an effect product mix. An organization's product mix may need several types of adjustments. Because customers' attitude and product preferences changes over time, their desire for certain products may wane.

In some cases a company needs to alter its product mix for competitive reasons. A marketer may have to delete a product from the mix because a competitor dominates the market for that product. Similarly, a firm may have to introduce a new product or modify an existing one, to compete more effectively. A marketer may expand a firm's product mix to take advantage of excess marketing and production capacity.

Regardless of the reasons for altering a product mix, the product mix must be managed. In strategic market planning, many marketers rely on the portfolio approach for managing the product mix. The product portfolio approach tries to create specific marketing strategies to achieve a balanced mix of products that will bring maximum profits in the long run. This chapter examines several ways to improve an organisation's product mix, including managing existing products, developing new products from idea generation to commercialization, and eliminating weak products from the product mix.

2.24 IMPROVING EXISTING PRODUCTS

An organisation can benefit by capitalizing on its existing products. By assessing the composition of the current product mix, a marketer can identify weaknesses and gaps. This analysis can then lead to improvement of a product mix through line extension and through product modification.

Life Extensions

A line extension is the development of a product that is closely related to one or more products in the existing product line but it designed specifically to meet somewhat different needs of customers. For example, the maker of comet cleanser has extended this line to include Liquid Comet and Comet Gel. Many of the so-called new products introduced each year by organizations are in fact line extensions. Line extensions are more common than new products because they are a less expensive, lower risk alternative for increasing sales. A line extension may focus on a different market segment or may be an attempt to increase sales within the same market segment by more precisely satisfying the needs of people in that segment.

Product Modifications

Product modification means changing one or more characteristics of a firm's product. A product modification differs from a line extension in that the original product that is modified does not remain in the line. For example, automakers use product modifications annually when they create new models of the same brand. Once the new models are introduced, the manufacturers stop to producing last year's model. Like line extensions, however, product modifications entail less risk than developing new products. Product modification can indeed improve a firm's product mix, but only under the following conditions. First, the product must be modifiable. Second, customers must be able to perceive that a modification has been made. Third, the modification should make the product more consistent with customer's desires so that it provides greater satisfaction. There are three major ways to modify products: quality modifications, functional modifications, and aesthetic modifications.

Quality Modifications

Quality modifications "are changes that relate to a product's dependability and durability. Usually the changes are executed by altering the materials or the production process. Increasing the quality of a product may give a firm an advantage over competing brands. However, higher quality may require the use of more expensive components and processes, thus forcing the organisation to cut costs in other areas. Some firms, such as Caterpillar, are finding ways to both increase quality and reduce costs.

Functional Modifications

Changes that affect a product's versatility, effectiveness, convenience, or safety are called functional modifications; they usually require that the product be redesigned.

Typical product categories that have undergone considerable functional modifications include office and farm equipment, appliances, and cleaning products. Procter and Gamble, for example, modified Tide by adding bleach, which improved the detergent's effectiveness. Functional modifications can make a product useful to more people and thus enlarge its market. This type of change can place a product in a favourable competitive position by providing benefits that competing brands do not offer.

Aesthetic Modifications

Aesthetic modifications change the sensory appeal of a product by altering its taste, texture, sound, smell or appearance. A buyer making a purchase decision is swayed by how a product looks, smells, tastes, feels or sounds. Thus, an aesthetic modification may strongly affect purchase. For years automobile makers have relied on aesthetic modifications.

2.25 CLASSIFICATION OF NEW PRODUCTS

Before we proceed with the subject of new product development it is essential to understand properly the term- new product. New Products can be broadly classified into two groups: (i) new products arising out of technological innovations, and (ii) new products arising out of marketing oriented modifications. The first group involves Innovations leading to intrinsically new products with a new functional utility behind them. The second group involves mere marketing oriented innovations in existing products; it gives rise to new versions of the existing products; the newness may be due to a change in the colour of the product, its design, the addition of a new feature, a change of package or a change of brand name. The newness may also be due to a repositioning of the existing product or finding a new use for the existing product or offering the existing product with new sales appeal to a new market segment. This subject has been already dealt within the preceding section on improving existing product. In this chapter, we shall confine our discussions to the intrinsically new product.

2.26 STAGES IN NEW PRODUCT DEVELOPMENT

Let us now consider the various stages a firm has to pass through for launching a new product in the market.

New product development in respect of altogether: New products, goes through several important stages as shown below:

- Product Strategy Development
- Generating New Product Ideas Idea Screening
- Concept Testing
- Business Analysis and Market Analysis Product Development
- Test Marketing
- Commercialisation

Each of these stages involves considerable study and analysis and at each stage, a management decision is called for before proceeding to the next stage.

Product Strategy Development

Developing an explicit new product strategy is a new but widely used concept. The companies formally treat strategy as the first step in new product planning. The strategy links product development to corporate strategic direction. Based on corporate objectives and strategy, the corporate role for new products is determined, the external environment is scrutinized to identify emerging product threats and opportunities, industries are evaluated to determine the growth potential of existing markets, previous new product experience in various markets are considered, internal capabilities are evaluated to identify relevant company strengths and weaknesses, the existing management style is weighed, and the position of existing products in the product life cycles considered. A new product strategy provides a set of strategic roles that, in turn, help identify the markets for which new product ideas will be developed. Developing a new product strategy, the first step, provides a focus for the second, idea generation step in that the ideas generated are intended to meet strategic objectives. The screening criteria used (in step 3) are also tied to strategic objectives.

Idea Generation

Businesses and other organisations seek product ideas that will help them achieve their objectives. This activity is idea generation. The fact- only few ideas are good enough to be commercially successful, underscores the difficulty of the task. Although some organizations get their ideas almost by chance, firms that are trying to manage their product mixes effectively usually develop systematic approaches for generating new product ideas. At the heart of innovation is a purposeful, focused effort to identify new ways to serve a market. Unexpected occurrence, incongruities, new needs, industry and market changes, and demographic changes all may indicate new opportunities.

New product ideas can come from several sources. They may come from internal sources- marketing managers, researchers, sales personnel, engineers, or other organisational personnel. Brainstorming and incentives or rewards for good ideas are typical intrafirm devices for stimulating the development of ideas. For example, the idea for 3 M Post-it adhesive-backed notes came from an employee. As a church choir member, he used slips of paper for marking songs in his hymnal. Because the pieces of paper fell out, he suggested developing an adhesive-backed note. New product ideas may also arise from sources outside the firm- customers, competitors, advertising agencies, management consultants, and private research organisations. Asking customers that they want from products and organizations has helped many firms to become successful and to remain competitive.

Direct observation of competitors' products, customers' evaluations of their product features, and the grapevine of suppliers and others who serve competitors often contributes ideas. Ethical and legal issues can arise from clandestine activities, yet such activities sometimes occur. Disassembly and intensive analysis of competitors' product is common.

Hiring away competitors' employee is another strategy, sometimes challenged in the courts.

Inventors and other "creators" represent a key source of technological innovation and product ideas from outside the company. Major companies are constantly approached with new product ideas that can be acquired or licensed for production or distribution. To make sure that ideas received in this way are appropriately screened, not just quickly rejected or lost, it is essential that those in the company most likely to be contacted by creators be identified and trained.

Employees: All employees must understand how to make their ideas known and be encouraged to do so. One way to accomplish this is to offer employees rewards for ideas that are later deemed marketable. Employees often have an understanding and interest in company products that make them astute judges of ways to improve them.

Another approach is to use brainstorming sessions in which small groups of customers (and others) toss out new product ideas. Such sessions may last one or two hours and are largely unstructured and freewheeling. Leadership keeps the interchange moving and the discussion on the desired track. A brainstorming session may generate as many as 75 to 100 new ideas. Since the objective is to have the participants advance as many ideas as possible, no criticism or evaluation of the ideas presented is allowed. The ideas advanced are screened later.

Focus group interviewing is a technique similar to brainstorming. The sessions are freewheeling, but they often go beyond idea generation to include evaluation and discussion of related issues.

Idea Screening

In the process of screening, the ideas with the greatest potential are selected for further review. During screening, product ideas are analysed to determine whether they match the organisation's objectives and resources. If a product idea results in a product that is similar to the firm's existing products, marketers must assess the degree to which the new product could cannibalize the sales of current products. The company's overall abilities to produce and market the product are also analysed. Other aspects of an idea that should be weighed are the nature and wants of buyers and possible environmental changes. At times a checklist of new-product requirements is used when making screening decisions. It encourages evaluators to be systematic and so reduces the chances of their overlooking some pertinent fact. Compared with other phases, the largest number of new-product ideas is rejected during the screening phase.

Concept Testing

To evaluate ideas properly, it may be necessary to test product concepts. Concept testing is a phase in which a small sample of potential buyers is presented with a product idea through a written or oral description (and perhaps a few drawings) to determine their attitudes and initial buying intentions regarding the product. For a single product idea, an organization can test one or several concepts of the same product. Concept testing is a low cost procedure that lets an organisation determine customers' initial reactions to a product idea before it invests considerable resources in research and development. The results of concept testing can be used by product development personnel to better understand which product attributes and benefits are most important to potential customers:

Notice that the concept is briefly described; then a series of questions is presented. The questions asked vary considerably depending on the type of product being tested. The typical questions are these: IN general, do you find this proposed product attractive? Which benefits are especially attractive to you? Which features are of little or no interest to you? Do you feel that this proposed product would work better for you than the product that you currently use? Compared with your current product, what are the primary advantages of the proposed product? If this product were available at an appropriate price, would you buy it? How often would you buy this product? How could this proposed product be improved?

Business Analysis and Market Share Analysis

This stage is crucial in the total process of new product development because several vital decisions regarding the project are taken based on the analysis done at this stage. This stage will decide whether from the financial and marketing point of view, the project is worth proceeding with. Investment and profitability analyses of the project under different assumptions are made at this stage. The project's overall impacts on the corporation's financial position with and without the new product are estimated and compared. The financial estimates would be reliable only if they are based on a fairly accurate demand forecast and related market factors. The marketing experts by now should have undertaken detailed exercises on the marketability of the product. They have to come up with information on the following aspects, in particular:

- Estimate of demand for the proposed product.
- A fairly reliable demand estimates is essential for evaluating the viability of the proposed project. Demand estimation for intrinsically new products is being discussed in a separate section. If the proposed product is only a 'me-too' product, the demand for the product category has to be estimated and the likely share the proposed product can take, has to be evaluated.
- Seasonal patterns in consumption, if any.
- Competition.
- Major competitors, their market shares, the dominant market segments held by them.
- Special market features affecting demand.
- Price elasticity of demand.
- Volume-cost profit analysis at different feasible levels. The nature of channel required the nature of channels available, comparative costs/advantages of alternative channel types.
- The marketing organisation required for marketing the product- whether the existing marketing organisation can take care of the product or whether a new organisation set-up is required. If so, what would it cost?

Only when information on the above aspects is complete, meaningful estimates of overall profitability of the project can be made. And it is based on the overall profitability picture that the corporation decides further.

Product Development

The product ideas that pass the screening and business analysis stages are not usually "concrete" enough for extensive testing of customer acceptance. An idea must be developed into a functioning product. Product development is often a scientific and engineering task, leading to the design and building of prototype working models. Once a prototype exists, functional testing may take place. For technical products such as sound speakers or robots, this may be a complex and lengthy task. Government testing and approvals may also be required for such products as new cancer drugs or birth control devices. Alternative designs may vary the product's safety and its cost. Relatively simple products, as well as many services, may be developed and tested quickly and inexpensively. Others take years to develop and test. But in any case, marketing plays a valuable role. To determine which design is best, information on customer preferences is often needed in addition to comparative costs. Customer preferences can be obtained informally through personal contact, as when a product is developed for a few industrial customers. Or marketing research may sample customers' preferences when the target markets comprise many, widely dispersed customers.

Consumer preference testing may also be used at this stage to help choose features to build into a particular product. Suppose that a firm has screened a few food product and is now trying to determine specific ingredients to create desired product characteristics and benefits. A key attribute is sweetness. Yet development personnel are unsure of the degree of sweetness to build into the product. Perspective consumers can be recruited and asked to taste samples that differ only in the level of sugar. Consumers choose the preferred version in a paired-comparison test, after testing and comparing several pairs of products. Data from the choices made by all the consumers determine the distribution of preferences over the various levels of sweetness being tested. Sweetness level A, which corresponds to a particular sugar content, is preferred by a majority of the consumers. Yet choosing this level could result in falling victim to the majority fallacy. If there are competitive products with a sweetness level at or near A, then the best strategy might be to build in a lower or higher level of sweetness. This would differentiate the product from its competitors and possibly capture a larger share of a smaller market.

Interaction between marketing and product development personnel is by Gillette's experience with its roll-on antiperspirant, Dry Idea. From consumer research, management learned that many people thought roll-ons were wet when applied, forcing them to wait to get dressed. Chemists at Gillette's laboratory in Boston were told to develop a roll-on that would not go on wet. Several formulations were tried by consumers who judged the feel of each roll-on as it was applied as well as the roll-on's antiperspirant qualities. Then, one was selected.

The new product development stage also provides information on the estimated costs of manufacturing, packaging and distributing the product. Because the development stage is yet another decision point in the new product decision process, the product idea may be dropped if building is not technically feasible; if the product can only be built with substantial, undesirable modifications; or if the costs of development or production are prohibitive. Minnesota Mining and Manufacturing Company (3M) once evaluated a new product concept involving the commercial farming of oysters in a controlled situation. Eventually, 3 M rejected the idea because a small scale test showed that it was not possible to cultivate enough oysters to make the project financial attractive.

Designing Supporting Strategies: Once an idea has passed the screening stage, work on the design and testing of supporting strategies and tactics can begin, concurrently with product development. Planning supporting strategies at this stage can significantly reduce the total lead time between idea screening and product introduction.

In another application, a manufacturer of a new food-flavouring product tried out alternative package designs on small samples of consumers. Management learned that customers wanted to see the product before making a buying decision. A package with a clear plastic "window" was finally selected, so that customers could see the contents without actually opening the package.

Small-scale tests of supporting strategies should not be confused with marketing research intended to forecast sales. The results of small-scale tests are too limited in scope to provide much help in estimating demand, but they sound out consumer reaction to individual components of marketing programs.

Test Marketing

During this stage, the product is actually tried out in selected market segments. Only based on the results of test marketing will a marketer and manufacturer usually launch large scale manufacture of the new product. Test marketing is a form of risk control and ensures avoidance of costly business errors. It is a controlled marketing experiment with minimum possible cost and risk to decide on the soundness and feasibility of full-fledged marketing of the product. If totally new products are introduced into the market on a commercial scale without resorting to test marketing, it may so come to light that the product was not the right one for the chosen market. This may be too costly a mistake for the firm. Test marketing in such a case may indicate that the sales prospect for the product is bound to be poor; and the firm may opt to drop the new product idea and save the investment. On the contrary, if the results received from the test marketing are positive and encouraging, the firm may go ahead with the commercial production and marketing of the new product.

Test marketing is an experiment that has to be carefully conducted. Care is required in selecting the 'test markets' and 'control markets', in monitoring the test and in analysing and interpreting the test results. In many cases, test marketing is also a time consuming process; it has to be carried out for long duration in order to obtain reliable and meaningful indications. And if competitors get information regarding the test, it is possible for them to 'manipulate the test process and thereby make the test results unreliable.

Test Marketing Technique Takes Roots in India

In India, test marketing as a marketing technique is becoming popular in recent times. In the past, only big corporations like Hindustan Lever and Tatas used to go in for test marketing. Now, more and more firms with the help of advertising and marketing research agencies are going in for test marketing before a new product is commercially launched. For instance, TTK group test marketed Yammies, a snack food and Vazir Sultan test marketed Charms cigarettes before launching full scale marketing. Mc-Dowells test marketed Sprint in Bombay before going national. Metropolitan test marketed their brand of shirts for a period of six months in Bangalore before going in for full scale production and marketing.

A decision must finally be made on whether or not deciding on to introduce the new product into target markets. In commercialisation of a product, all evaluations are brought to bear as management assesses the degree to which the product and the supporting strategy can be expected to succeed. If the decision is to go ahead, resources are committed to implementing the new product strategy. Raw material and component contracts must be made with suppliers; channels of distribution must be selected; manufacturing facilities, equipment, and processes must be set into operation; salespeople may need to be hired and trained; and so forth. Typically, very large commitments of money and personnel are involved. Because of the tremendous resource commitment required by new product launching, a crucial decision concerns the time frame over which the introduction will take place.

Crash Introduction (Commercialization)

A crash introduction is the full-scale commercialization of a new product as quickly as possible. The resources needed to move into target markets are immediately committed. In this way, competitors are given little time to prepare their responses to the product. A crash program is most often selected when competitors can counter quickly and maximum lead time is needed to establish market position. A crash introduction tends to maximise other risks because substantial resources are committed quickly.

Rollout Introduction

For a rollout introduction, target markets are divided geographically and initially the new product is introduced in only one or a few .areas. If the new product is successful in these areas, the process continues until all geographic target markets are being served. A rollout offers the advantage of giving management time to monitor and adjust the new product strategy before all resources are committed. This is not the same as continuing the test market stage, because an introduction decision has been made, much larger market areas are entered, and less elaborate monitoring of performance is conducted. When the resources needed for a crash program are not available, as is the case with smaller companies, the rollout procedure may be the only feasible alternative.

Timing

Highly innovative products are often introduced before potential customers are prepared to accept them. Introductions occur when their time often fail. At the other extreme, delays or overlay slow rollouts can help competitors gain a substantial advantage. There is often a window of opportunity that gradually closes due to changing preferences, competitive entries, and a changing environment. Most timing issues are specific to the product market situation, so related analysis is essential.

Product Adoption Process

The acceptance of new products- especially new to the world products -usually doesn't happen overnight and it can take a very long time. People are sometimes cautious or even sceptical about adopting new products, as indicated by some of the remarks quoted in Table. Customers who eventually accept a new product do so through an adoption process. The following stages of the product adoption processes are generally recognized as those that buyers go through in accepting a product.

1. Awareness: The buyer becomes aware of the product.

2. Interest: The buyer seeks information and is receptive to learning about the product.

3. Evaluation: The buyer considers the product's benefits and determines whether to try it.

4. Trial: The buyer examines, tests, or tries the product to determine its usefulness relative to his or her needs.

5. Adoption. The buyer purchases the product and can be expected to use it when the need for this general type of product arises again.

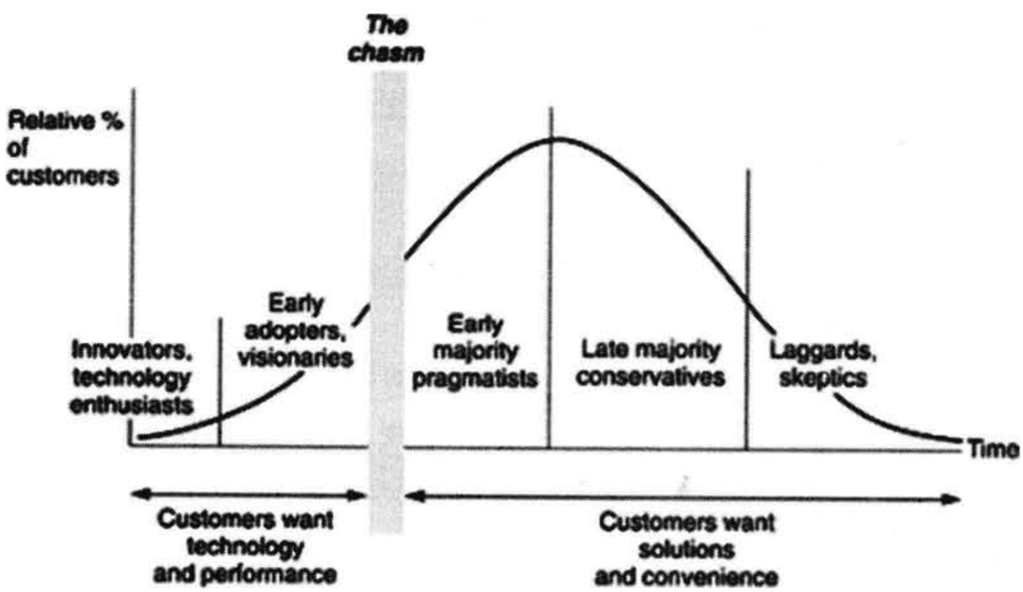
In the first stage, when individuals become aware that the product exists, they have little information about it and are not concerned about obtaining more. For example, one might be aware that Polaroid offers a talking camera that has built-in recorded comic messages to evoke smiles, but have no plans to gather more information about it. Consumers enter the interest stage when they are motivated to get information about the product's features, uses, advantages, disadvantages, price, or location. During the evaluation stage, individuals consider whether the product will satisfy certain criteria that are crucial for meeting their specific needs. In the trial stage, they use or experience the product for the first time, possibly by purchasing a small quantity, by taking advantage of a free sample or demonstration, or by borrowing the product from someone. Supermarkets, for instance, frequently offer special promotions to encourage consumers to taste products. During this stage potential adopters determine the usefulness of the product under the specific conditions for which they need it.

Individuals move into the adoption stage by choosing the specific product when they need a product of that general type. However, because a person enters the adoption process does not mean that she or he will eventually adopt the new product. Rejection may occur at any stage, including adoption. Both product adoption and product rejection can be temporary or permanent.

This adoption model has several implications for the commercialisation phase. First, the company must promote the product to create widespread awareness of its existence and its benefits: Samples or simulated trials should be arranged to help buyers make initial purchase decisions. At the same time, marketers should emphasize quality control and provide solid guarantees to reinforce buyer opinion during the evaluation stage. Finally, production and physical distribution must be linked to patterns of adoption and repeat purchases.

When an organization introduces a new product, neither people all begin the adoption process at the same time, nor do they move through the process at the same speed. Of those who eventually adopt the product, some enter the adoption process rather quickly, whereas others start considerably later. For most products, too, there is a group of non adopters who never begin the process.

Depending on the length of time it takes them to adopt a new product, people can be divided into five major adopter categories: innovators, early adopters, early majority, late majority, and laggards. Figure 7.1 illustrates each adopter category and the percentage of total adopters that it typically represents. Innovators are the first to adopt a new product; they enjoy trying new products and tend to be venturesome. Early adopters choose new products carefully and are viewed as "the people to check with" by persons in the remaining adopter categories. Persons in the early majority adopt just prior to the average person; they are deliberate and cautious in trying new products. Late majority people, who are quite sceptical of new products, eventually adopt new products because of economic necessity or social pressure. Laggards, the last to adopt a new product, are oriented toward the past. They are suspicious of new products, and when they finally adopt the innovation, it may already have been replaced by a new product.



Distribution of Product Adopter Categories

Source: Reprinted with permission of The Free Press, a division of Simon & Schuster, from Diffusion of Innovations, Fourth Edition by Everett M. Roger.

2.27 NEW PRODUCT FAILURE

New product development is a highly expensive; time consuming and risk laden affair. Only those organisations that have the capacity to absorb the shocks arising out of all these factors can really go ahead with the task of new product development. Such organisations invest heavily in research and development and they often have several new product ideas in the queue, each in different stages of formulation. While such firms remain leaders in their chosen markets, with all the attendant advantages of being a leader, the· vast majority of the companies prefer to be followers entering with similar products after the pioneer establishes his new product. Majority of the firms shy away from the task of new product development for the following reasons.

New products suffer from a high attrition rate. Many new product ideas, after years of caring, do not reach the market at all. Considerable time, money and effort are thus wasted.

New products suffer from a high rate of market failure. That means that even those products which reach the market after years of preparation and work, often fail miserably in the market.

Even in the case of successful new products, success is short lived. Many of them suddenly die out after the initial boom.

Now wonder, new product development has mostly remained the forte of big companies who can absorb the cost and fatigue of such failures.

2.27.1 How to Avert New Product Failures

Analysis shows that several new products turn out to be failures not because the products are defective, but because the company in question is not equipped to handle that product. Such a situation arises because the firm has not answered and solved certain basic questions at the product idea stage itself. Before a firm proceeds with a new product idea, it should find convincing answers to certain basic issues:

- Does the proposed product remain close to the existing business of the company? Close to the knitting? Or, does it constitute an entirely new line of business to the company? In the latter case, can be company handle the new business?
- How new is the new product? Is it radically new for the market? Or, is it similar in some way to already existing products in the market? If it is a radically new product, how long would it take to get established? Can the firm sustain the long pioneering stage? If it is a time-toot product, can it makes a living in a market already dominated by early entrants? What is the current level of demand and what is the extent of market share the new entrant can hope to get?

- Is the product likely to invite retaliation from a strong competitor, who is already in the same line or in a related line of business? What are the resources of the firm proposing the new product as compared to those of the dominant competitors?

2.27.2 The Firm must be well prepared for meeting retaliation from strong competitors

Similar screening has to be done on the possibility of retaliation from strong competitors. If a medium size firm with only moderate resources on hand is planning to introduce a new product, it should check whether it is going to provoke a mighty competitor. The firm must have clarity about the resource capacity and management style of such competitors. So, a firm trying to introduce a new product has to do a lot of preplanning. While no secret formula can be prescribed for the success of a new product, it should be possible to avert costly new product failures by checking out some of the issues discussed above.

2.28 PRODUCT ELIMINATION

Generally, a product cannot satisfy target market customers and contribute to the achievement of an organization's overall goals indefinitely. Product elimination is the process of deleting a product from the product mix when it no longer satisfies a sufficient number of customers. A declining product reduces an organisation's profitability and drains resources that could be used instead to modify other products or develop new ones. A marginal product may require shorter production runs, which can increase per-unit production costs. Finally, when a dying product completely loses favour with customers, the negative feelings may transfer to some of the company's other products. Most organizations find it difficult to eliminate a product. A decision to drop a product may be opposed by management and other employees who feel the product is necessary in the product mix. Salespeople who still have some loyal customers are especially upset when a product is dropped. Considerable resources and effort are sometimes spent trying to change a slipping product's marketing mix to improve its sales and thus avoid having to eliminate it.

KEYWORDS

Problem recognition: The awareness that there is a discrepancy between an actual and a desired condition.

Information search: A search for information carried out by a consumer to reduce uncertainty and provide a basis for evaluating alternatives.

Motive: An aroused need that directs the behaviour toward a goal.

Physiological need: A need which is based on biological functioning like food, water, air, and sex etc.

Psychological and social need: A need which emerges from a person's interactions with the social environment.

Perception: The process of selecting, organising, and interpreting and giving meaning to stimuli.

Learning: It is relatively a permanent change in behaviour that results from experience.

Mass customization: A strategy that combines mass production with computers to produce customized products for small market segments.

Benefit segmentation: A kind of market segmentation by which consumers are grouped according to the specific benefits they seek from a product.

Repositioning: Rethinking regarding the benefits that are offered to consumers through the marketing mix.

Differentiated marketing: A marketing approach in which a marketer selects more than one target market and then develops a separate marketing mix for each market.

Undifferentiated marketing: A marketing approach not targeted at a specific market segment but designed to appeal to a broad range of customers.

Durable good: A tangible, physical item that can be used over an extended period.

Non durable good: A tangible, physical item that is quickly consumed and lasts for a shorter span.

Convenience product: A relatively inexpensive, regularly purchased consumer product bought without much though and with minimum effort.

Shopping product: A product for which consumers feel the need to make comparisons and seek out more information.

Speciality product: A product that is not bought regularly and frequently, is likely to be more expensive, and is generally purchased with great care.

Industrial product: A product or service that is used to produce other product for further use.

Product line: A group of products that are closely related and sold through same kind of outlets.

Discontinuous innovation: A product that is entirely new and no previous product performed an equivalent function.

Go error: An error of selecting a poor idea that should have been dropped at the time of screening the ideas.

Drop error: An error of dropping a good idea that should have been selected at the time of screening the ideas.

Concept testing: Research procedures used to learn consumers' reactions to new product ideas. Consumers are presented with an idea and are asked whether they like it, would use it, would buy it, and so on.

Test marketing: A controlled experimental process where a new product is tested under realistic market conditions in limited geographical areas.

Diffusion process: The process of spreading of a new product through society.

Laggard: A member of the group of final adopters in the diffusion process.

QUESTIONS

1. What do you understand by consumer behaviour? Write a brief note on consumer's buying dynamics.
2. In what ways do roles and family affect purchase decisions?
3. Elaborate in detail the different psychological factors that influence consumer decision-making process.
4. What are the different purchase situations commonly encountered by organisations? How do organisations typically respond to each situation?
5. How do organisational markets differ from consumer markets?
6. Write short notes on the following: (a) A straight rebuy purchase

(b) Derived demand (c) Professional purchasing

7. Define Segmentation. Also describe the various levels of segmentation.
8. Write down the various bases for segmentation. In your opinion which base(s) in more relevant than others and why?

9. What criteria you will adopt to make your-segmentation process more effective?

10. Write a detailed note on various approaches for selecting target markets.

11. What do you understand by product positioning? Describe in detail various positioning strategies.

12. Write short notes on the following:

    (a) Mass Marketing

    (b) Niche Marketing

    (c) Concentration approach

    (d) Position against competition

13. Describe each of the main stages of the product life cycle.

14. What do you understand by product line? Discuss the attributes associated with product line management.

15. Write a detailed note on the product mix.

16. Compare and contrast the three major ways of modifying a product.

17. Identify and briefly explain the seven major phases of the new product development process.

18. Do small companies that manufacture one or two products need to be concerned about developing and managing products? Why or why not?

19. What is the major purpose of concept testing, and how is it accomplished?

20. What are the benefits and disadvantages of test marketing?

21. Why does the process of commercialisation sometimes take a considerable amount of time?

22. What are the stages in the product adoption process, and how do they affect the commercialisation phase?

23. When developing a new product, a company often test markets the proposed product in a specific area or location. Coca-Cola did this with its sports drink, PowerAde. Suppose you wish to test-market your new revolutionary Super Wax car wax, which requires only one application for a lifetime finish. Where and how would you test market your new product?

24. Generally, buyers go through a product adoption process before becoming a loyal consumer. Describe your experience adopting a product you now use consistently. Did you go through all the stages?

25. A product manager may make quality, functional, or aesthetic modifications when modifying a product. Identify a familiar product that recently has been modified, categorize the modification (quality, functional, or aesthetic), and describe how you would have modified it differently.

UNIT III

PRICING METHODS AND STRATEGIES

3.1 PRICE: ITS MEANING

Every product has a price, but each firm is not necessarily in a position to determine the price at which it should sell its product. When products are undifferentiated and competitors numerous, the firm has no market power and must take the price level imposed by the market. But when a firm has developed strategic marketing programme and thus has gained some degree of market power, setting the price is a key decision which conditions the success of its strategy, to a large extent. Until recently, pricing decisions were considered from a purely financial viewpoint, and largely determined by costs and profitability dimensions. This approach changed because of the upheavals in the economic and competitive situation during the crisis years: double digit inflation, increased costs of raw materials, high interest rates, price controls, increased competition, lower purchasing power, consumerism etc. All these factors play an important part in making pricing decisions of strategic importance. Figure 1 describes the general overview of price setting in a competitive environment.

From the firm's point of view, the question of price has two aspects: the price is an instrument to stimulate demand, much like advertising, and at the same time price is a determinant factor of the firm's long-term profitability. Therefore, the choice of a pricing strategy must respect two types of coherence: an internal coherence, i.e. setting a product price respecting constraints of costs and profitability, and an external coherence, i.e. setting the price level keeping in mind the market's purchasing power and the price of competing goods. Furthermore, pricing decisions must remain coherent with other elements of marketing mix especially brand positioning and distribution strategy, advertising etc.

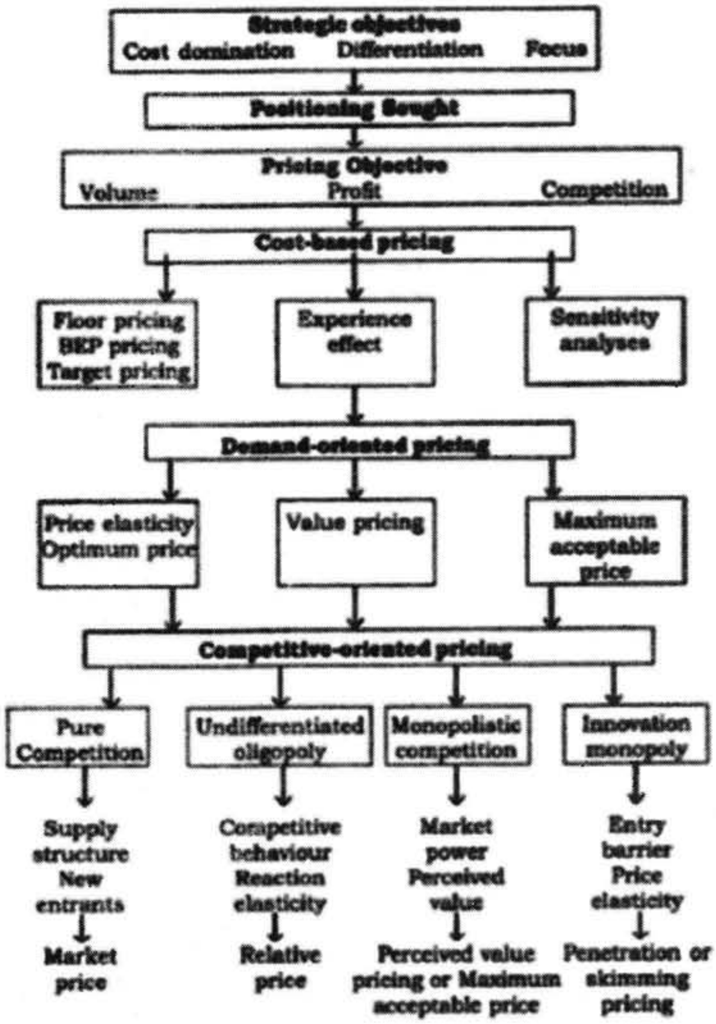


Figure 1: Overview of pricing decisions

Price is the monetary expression of value and as such occupies a central role in competitive exchange. Purchasing behaviour can be seen as a system of exchange in which searching for satisfaction and monetary sacrifices compensate each other. This behaviour results from forces that balance a need, characterized by the buyer's attitude towards the product and the product's price. From the buyer's point of view, the price he or she is willing to pay measures the intensity of the need and the quantity and nature of satisfaction that is expected; from the seller's point of view, the price at which he or she is willing to sell measures the value of inputs incorporated in the product, to which the seller adds the profit that is hoped to be achieved.

Formally, monetary price can be defined as a ratio indicating the amount of money necessary for acquiring a given quantity of a good or service:

$$\text{Price} = \frac{\text{Amount of money provided by the buyer}}{\text{Quantity of good provided by the seller}}$$

In this equation, both the numerator and the denominator are important for price decisions. Typically, for example, if the buyer gets 5 kilograms of basmati rice for Rs. 125, then to the seller the price is Rs. 125 and to the buyer it is 5 kilograms of basmati rice. The seller can change this ratio of Rs. 25 for 1h:g basmati rice in different ways as mentioned below.

(a) Changing the customer's value perception of the product: The seller can change the customer's value perception of the product by modifying the presentation of the product, for example, a seller, who has till now been marketing basmati rice as a commodity and selling it in bulk to the wholesaler, now decides to clean, pack and brand the product. He also decides to provide a recipe of different pulaos and biryanis and get the true basmati flavour. All this makes the same product look different and the seller is now investing resources to create brand equity for his brand of basmati rice. He may charge premium of a rupee or two per kilogram, but will the customer pay this differential? The answer to that will be in knowing how the customer perceives these changes in the product.

(b) Change the quantity of money or goods and services to be paid by the buyer: Another approach is to change the quantity of money or goods and services to be paid for by the buyer. For example, the buyer has to pay Rs. 32.50 per one kilogram of a well-known brand of sunflower edible oil. This firm may offer 5 kilogram pack for just Rs. 160, thus giving a saving of 50 paise per kilogram. Another approach is to increase or reduce the price per kilogram of edible oil without the customer having to necessarily buy a bigger pack.

(c) Change the quality of goods and services offered: If the quantity ratio does not change but the quality of the goods and services has declined, then for the buyer, the real price has increased and vice-versa.

(d) Price changes through changes in sales promotion or discounts to be applied for quantity variations: Sales promotion serves to reduce the actual price paid by the buyer. So does a discount. This is particularly true if the quantity ratio remains constant.

(e) Changes in any of the following:

(i) Time and place of transfer of ownership

(ii) Place and time of payment

(iii) Acceptable form of payment-like accepting credit cards as a mode of payment. This often provides to the customer four to six weeks (in some cases even more) credit. The customer also, has the option to pay over ten months. Thus price is a complex decision that has a direct bearing on the company's profitability and the marketer needs to know the cost function and also the customer perception of his and his competitors' product value at different price levels. To arrive at a good price strategy, the marketer should be able to decide on the price objectives.

3.2 IMPORTANCE OF PRICING DECISIONS

The following points highlight the importance of pricing strategies in the current marketing environment:

- The chosen price directly influences demand level and determines the level of activity. A price set too high or too low can endanger the product's development.
- The selling price directly determines the profitability of the operation, not only by the profit margin allowed, but also through quantities sold by fixing the conditions under which fixed costs can be recovered over the appropriate time horizon. Thus, a small price difference may have a major impact on profitability.
- The price set by the firm influences the product or the brand's general perception and helps in shaping brand's image. The price quoted invariably creates a notion of quality, and therefore is a component of the brand image.
- More than any other marketing variable, the price is an easy means of comparison between competing products or brands especially when there is hardly any brand differentiation. The slightest change in price is quickly perceived by the market, and because it is so visible it can suddenly overturn the balance of forces.
- Pricing strategy must be compatible with the other components of strategic marketing. Product packaging must reinforce high quality and high price positioning; pricing strategy must respect distribution strategy and allow the granting of necessary distribution margins to ensure that the objectives of covering the market can be achieved.
- Acceleration of technological progress and shortening of product life cycles means that a new activity must be made to pay over a much shorter time span than previously. Given that correction is so much more difficult, mistake in setting the initial price is that much more serious.
- Proliferation of brands or products which are weakly differentiated, the regular appearance of new products and the range of products all reinforce the importance of correct price positioning; yet small differences can sometimes modify the market's perception of a brand quite significantly.

- Increased prices of some raw materials, inflationary pressures, wage rigidities and price controls call for more rigorous economic management.
- Legal constraints, as well as regulatory and social constraints, such as price controls, setting maximum margins, authorization for increases etc., limit the firm's autonomy in determining prices.
- Reduced purchasing power in most economies makes buyers' more aware of price differences, and this increased price sensitivity reinforces the role of price as an instrument for stimulating sales and market share.
- Given the importance and complexity of these decisions, pricing strategies are often elaborated by the firm's management.

3.3 PRICING OBJECTIVES

All firms aim to make their activities profitable and to generate the possible economic surplus. This broad objective can in practice take different forms and it is in the firm's interest to clarify from the outset its strategic priorities in setting prices. Generally speaking, possible objectives can be classified in three categories, according to whether they are centred on profits, volumes or competition.

Profit-oriented objectives are either profit maximization or achievement of a sufficient return on invested capital. Profit maximization is the model put forward by economists. In practice, it is difficult to apply this model. Not only does it assume precise knowledge of cost and demand functions for each product, it also assumes a stability which is seldom enjoyed by environmental and competitive factors. The objective of target return rate on investment (ROI) is widespread. In practice, it takes the form of calculating a target price, or a sufficient price; that is, a price which, for a given level of activity, ensures a fair return on invested capital. This approach, often adopted by large enterprises, has the merit of simplicity, but is incorrect. It ignores the fact that it is the price level that ultimately determines demand level.

Volume-oriented objectives aim to maximize current revenue or market share, or simply to ensure sufficient sales growth. Maximizing market share implies adopting a penetration price, i.e. a relatively low price, which is lower than competitors' prices, in order to increase volume and consequently market share as fast as possible. Once a dominant position is reached, the objective changes to one f 'satisfactory' rate of return. This is a strategy often used by firms having accumulated a high production volume and who expect reduced costs due to economies of scale and learning effects. A totally different strategy is that of skimming pricing. The goal here is to achieve high sales revenue given that some buyers or market segments are prepared to pay a high price because of the product's distinctive (real or perceived) qualities. The objective here is to achieve the highest possible turnover with a high price rather than high volume.

Competition-oriented objectives either aim for price stability or to be in line with competitors. In a number of industries dominated by a: leading firm, the objective is to establish a stable relationship between prices of various competing products and to avoid wide fluctuations in prices that would undermine buyers' confidence. The objective of keeping in line with other firms reveals that the firm is aware of its inability to exercise any influence on the market, especially when there is one dominant firm and products are standardized, as in undifferentiated oligopolies. In this case, the firm prefers to concentrate its efforts on competing over features other than price. Forms of non-price competition will prevail in the market.

3.4 PRICING METHODS

To elaborate on pricing methods, three groups of factors must be taken into consideration: costs, demand and price elasticity: We will now examine successively each of these methods and their implications for price determination.

3.4.1 Cost-Based Pricing Method

Starting with costs analysis is certainly the most natural way to approach the pricing problem, and it is also the one most familiar to firms. Given that the manufacturer has undergone costs in order to produce and commercialize a product, it is natural that its main preoccupation would be to determine various price levels compatible with constraints such as covering direct costs and fixed costs arid generating a fair profit. Figure 2 shows a. typical cost structure in which the definitions of the main cost concepts are given.

Prices which are based on costs and make no explicit reference to market factors are called 'cost-based prices'. Cost analysis identifies four types of cost-based prices, each responding to specific cost and profit requirements.

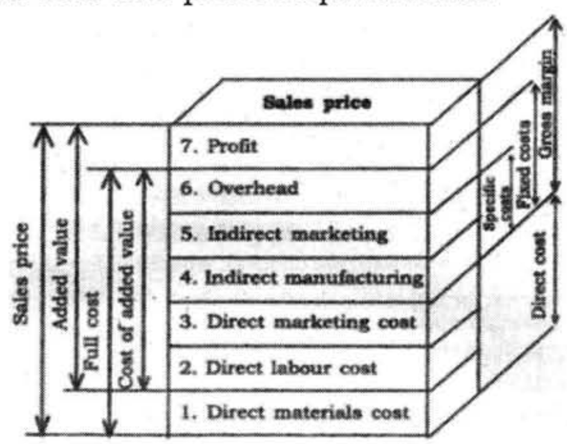


Figure 2: The elements of price

The floor price, or the minimum price, corresponds to direct variable costs (C), also known as 'out-of-pocket costs'. It is the price that only covers the product's replacement value, and, therefore, implies zero gross profit margin.

Floor price = Direct variable costs

This price concept is useful for negotiating exceptional orders or for second marketing discounting, when the firm has unused capacity and has the possibility to sell in a new market such that there will be a negligible loss of sales in its main market. Floor price, also called 'marginal price', is the absolute minimum selling price the firm should accept. Any price above the floor price can allow a firm to use its production capacity to a maximum and still generate extra funds to cover overhead or improve profits. Exceptional orders, generics for large retail chain and foreign markets, provide opportunities for this form of discriminatory pricing strategy.

The break-even price (BEP) corresponds to the price where fixed costs and direct costs are recovered, given the sales volume assumed. It ensures that both the product's replacement value as well as fixed costs (F) are recovered where E(Q) denotes expected sales volume. The BEP corresponds to the full cost concept, where the level of activity is used as criterion for allocating the fixed costs.

The mark-up price is set by adding a standard mark-up to the break-even price. Assuming that the firm wants to earn a 20 per cent mark-up on sales, the mark-up price is given by

Mark-up price = BEP/(1–desired mark-up)

This pricing method, popular for its simplicity, ignores demand and competition. It will work only if the expected sales level is achieved.

The target price, or sufficient price, includes, apart from direct costs and fixed costs, a profit constraint, which is normally determined by reference to a 'normal' rate of return (r) on invested capital (K). This cost-based price is also calculated with reference to an assumed level of activity.

Target price = C + F / E(Q) + rK/E(Q)

where K denotes invested capital and r the rate of return considered as sufficient or normal. Like the break-even price, target price depends on the activity volume being considered.

The same criticism must be formulated here. This pricing method will work only if the expected sales volume is achieved.

Usefulness or cost-based pricing: Cost-oriented prices constitute a starting point for setting a price. They cannot be the only basis for determining prices because these pricing procedures ignore demand, product perceived value and competition. However, they do have a real usefulness, because they provide answers to 'the following types of questions:

- What is the sales volume or sales revenue required to cover all costs?
- How does the target price or the mark-up price compare with prices of direct competition?
- To what level of market share does the level of sales at the break-even point correspond?
- In the case of a price change, what is the necessary volume change to maintain the present level of profitability?
- If prices go down, what is the minimum volume increases required to offset the price decrease?
- If prices go up, what is the permissible volume decrease to offset the price increase?
- What is the implied price elasticity necessary to enhance or maintain profitability?
- What is the rate of return on Invested capital for different price levels?

Cost analysis is a necessary step which helps to identify the problem by focussing attention on the financial implications of various pricing strategies. Armed with this information, the firm is better placed to approach the more qualitative aspects of the problem, namely market sensitivity to prices and competitive reactions.

3.4.2 Demand-Oriented Pricing Method

Pricing based exclusively on the firm's own financial needs is inappropriate. In a market economy, it is the buyer who ultimately decides which products will sell. Consequently, in a. market-driven organization an effective pricing procedure starts with the price the market is most likely to accept, which in turn determines the target. cost. The main factors affecting price sensitivity are described below:

Factors affecting price sensitivity: Buyers, in general, are sensitive to prices, but this sensitivity can vary tremendously from one situation to another, according to the importance of the satisfaction provided by the product, or conversely depending on the sacrifices, other than price, imposed by obtaining the product. Nagle (1987) has identified nine factors affecting buyers' price sensitivity:

- Unique-value effect: buyers are less price-sensitive when the product is more unique.
- Substitute awareness effect: buyers are less price-sensitive when they are less aware of substitutes.
- Difficult comparison effect: buyers are less price-sensitive when they cannot easily compare the quality of substitutes.
- Total expenditure effect: buyers are less price-sensitive the lower the expenditure is to· a ratio of their income.
- End benefit effect: buyers are less price-sensitive the lower the expenditure is compared with the total cost of the end product.
- Shared cost effect: buyers are less price-sensitive when part of the cost is borne by another party.
- Sunk investment effect: buyers are less price-sensitive when the product is used in conjunction with assets previously bought.
- Price-quality effect: buyers are less price-sensitive when the product is assumed to have more quality, prestige or exclusiveness.
- Inventory effect: buyers are less price-sensitive when they cannot store the product.

3.4.3 Price Elasticity Method

A marketer for manufactured products needs to assess price elasticity of demand. Price elasticity of demand refers to the changes in demand in response to price changes. Specifically, this price elasticity of demand is given by the following formula:

$$\text{Percent change in price} = \frac{\text{Percent change in quantity demanded}}{\text{Percent change in price}}$$

For example, if the firm is to consider changing the price of its product by five per cent, and the demand for its product is likely to go down by 10 per cent then, the price elasticity of demand for this product is -2. In assessing the price elasticity of demand, the marketer has to consider the following factors.

(a) Availability of substitutes and/or competitor products: If there are substitutes of competitors which are perceived by the customer to be identical or comparable, then the price elasticity of demand will be high. It is important to note that the customers' perception of compatibility of competing products to satisfy the need is more relevant here than the compatibility on tangible features. For example, if the customer perceives that he or she can quench thirst by either a soft drink or a fruit juice, then, any change in price of any of these products is bound to affect its demand. The other side of this coin is that lack of substitutes or competitor products will mean low price elasticity of demand. Again, the price elasticity of food products like wheat, rice, edible oil, etc. is lower than manufactured product like soft drinks, television, etc.

(b) Customer resistance to change: If the customers are resistant to new product ideas and generally do not go shopping for prices, then the price elasticity of demand for such product is going to be low. Mail order and tele-shopping today is built around this assumption and its communication is directed to motivate customers against price shopping.

(c) Price-Quality perception: Generally the quality of a product is associated with its price. The thumb rule is that customers' perceive premium quality in the product if it is priced at a higher level. If the target customer group has this perception of the product, then its price elasticity of demand is going to be low. Many marketers seek to change a customer's attitude towards this direction.

(d) Buyers do not perceive or notice higher prices: If the buyers are willing to buy the product ignoring its prices, then the price elasticity of demand for such a product is going to be low.

Thus the nature of the product, competition and buyers' value perception play an important role in shaping the elasticity of demand for the product at different price levels.

3.5 PRICING STRATEGIES

The different types of pricing strategies are discussed as under:

3.5.1 Value Pricing

Value pricing is a customer-based pricing procedure which is an outgrowth of the multi-attribute product concept. From the customer's viewpoint, a product is the total package of benefits that is received when using the product. Therefore, the customer- oriented company should set its price according to customers' perceptions of product benefits and costs. To determine the price, the marketer needs to understand the customers' perceptions of benefits as well as their perceptions of the costs other than price. Customers balance the benefits of a purchase against its costs. When the product under consideration has the best relationship of benefit to cost, the customer is inclined to buy the product (Shapiro and Jackson, 1978). This customer-based pricing procedure can be implemented in different ways.

3.5.2 The maximum acceptable price

This approach is particularly useful for setting the price of industrial products, whose core benefit to the buyer is a cost reduction. To evaluate what the customer is prepared to pay, the procedure followed is to identify and evaluate the different satisfactions or services provided by the product as well as all the costs (other than price) it implies. Thus the procedure is the following:

- Understand the total use of the product from the buyer's point of view.
- Analyse the benefits generated by the product.
- Analyse the costs implied by the acquisition and the use of the product.
- Make cost-benefit trade-offs and determine the maximum acceptable price.

The highest price that the customer will be willing to pay for the product is given by:

Benefits – Costs other than price = Maximum Acceptable Price (MAP)

The benefits to consider can be functional (the core service), operational, financial or personal. Similarly, the costs implied other than prices are just as diverse, acquisition costs, installation, risk of failure, custom modification etc.

3.5.3. Price leadership

Price leadership strategy prevails in oligopolistic markets. One member of the industry, because of its size or command over the market, emerges as the leader of the industry.

The leading company then makes pricing moves which are duly acknowledged by other members of the reference market.

Initiating a price increase is typically the role of the industry leader. The presence of a leader helps to regulate the market and avoid too many price changes. Oligopolistic markets, in which the number of competitors is relatively low, favour the presence of a market leader who adopts an anticipative behaviour and periodically determines prices. Other firms then recognize the leader's role and become followers by accepting prices. The leadership strategy is designed to stave off price wars and 'predatory' competition, which tends to force down prices and hurt all competing firms. There are different types of leadership.

(a) Leadership of the dominant firm is the firm with the highest market share. The dominant firm establishes a price and the other producers sell their products at this price. The leader must be powerful and undisputed and must accept maintaining a high price.

(b) Barometric leadership which consists of initiating desirable price cuts or price increases, taking into account changes in production costs or demand growth. In this case the leader must have access to an effective information system providing him or her with reliable information on supply and demand, competition and technological change.

(c) Leadership by common accord, where one firm is tacitly recognized as leader, without there being a formal understanding or accord. The latter would in fact be illegal. Such a leader could be the most visible firm in the sector, for example the firm that leads in technology. It should also have sensitivity to the price and profit needs of the rest of the industry.

According to Corey (1991) the effective exercise of leadership depends on several factors:

The leader must have a superior market information system for understanding what is going on in the market and reacting in a timely way.

a. It should have a dear sense of strategy.
b. The price leader should use long-term measures to assess managerial performance.
c. It should want to lead and to act responsibly.
d. It should have a broad concern for the health of the industry.
e. It will tend to behave in a way that preserves short-run market share stability.

On the whole, the presence of a leader acts as a market stabilizer and reduces the risk of a price war.

3.5.4 Pricing new products

The more a new product is unique and brings an innovative solution to the satisfaction of a need, the more delicate it is to price. This price is a fundamental choice upon which depends the commercial and financial success of the operation. Once the firm has analyzed costs, demand and competition, it must then choose between two very contradictory strategies: (a) a high initial price strategy to skim the high end of the market, and (b) a strategy of low price from the beginning in order to achieve fast and powerful market penetration.

3.5.5 Skimming pricing strategy

This strategy consists of selling the new product at a high price and thus limiting oneself to the upper end of the demand curve. This would ensure significant financial returns soon after the launch. Many considerations· support this strategy; furthermore, a number of conditions need to be met for this strategy to prove successful.

- When there are reasons to believe that the new product lifecyc1e will be short, or when competition is expected to copy and to market a similar product in the near future, a skimming price strategy may be recommended because a low price strategy would make the innovation unprofitable.
- When a product is so innovative that the market is expected to mature slowly and the buyer has no elements on which to compare it with other products, demand is inelastic. It is tempting to exploit this situation by setting a high price and then readjusting it progressively as the market matures.
- Launching a new product at a high price is one way of segmenting the mar-ket. The segments have different price elasticity. The launching price skims the customers who are insensitive to price. Later price cuts then allow· the firm to reach successively more elastic segments. This is a form of time dis-criminatory pricing.
- When demand is hard to evaluate, it is risky to anticipate what kind of de-mand growth or cost reduction can result from a low price. This is particu-larly true when the manufacturing process is not yet stabilized and costs are likely to be underestimated.
- To be effective, the introduction of a new product requires heavy expenditure on advertising and promotion. When the firm does not have the financial means necessary for a successful introduction, charging high prices is one way of generating the resources.

Price Skimming strategy is definitely a cautious strategy which is more financial than commercial. Its main advantage is that it leaves the door open for a progressive price adjustment, depending on how the market and competition develop. From a commercial point of view, it is always easier to cut a price than to increase it.

3.5.6 Penetration price strategy

Penetration strategy, on the other hand, consists of setting low prices in order to capture a larger share of the market right from the start. It assumes the adoption of an intensive distribution system, the use of mass advertising to develop market receptivity, and especially an adequate production capacity from the beginning. In this case the outlook is more commercial than financial. The following general conditions must prevail to justify its use.

- Demand must be price elastic over the entire demand curve; there are no upper segments to be given priority and the only strategy is to address the whole market at a price low enough to satisfy the greatest number.
- It is possible to achieve lower unit costs by increasing volumes significantly, either because of economies of scale or because of potential experience effects.
- Soon after its introduction, the new product is threatened by strong competition. This threat of new entrants is a powerful reason for adopting low prices. The penetration strategy is used here to discourage competitors from entering the market. Low prices act as very efficient barriers to entry.
- The top range of the market is already satisfied; in this case, penetration policy is the only valid policy to develop the market.
- Potential buyers can easily integrate the new product in their consumption or production; the transfer costs of adopting the product other than its price are relatively low and, therefore, a mass market can be developed rapidly.

A penetration price strategy is therefore more risky than a skimming price strategy. If the firm plans to make the new product profitable over a long period, it may face the situation that new entrants might later use new production techniques which will give them a cost advantage over the innovating firm.

3.5.7 Product line pricing

Strategic marketing has led firms to adopt segmentation and diversification strategies which have result in the multiplication of the number of products sold by the same firm or under the same brand. Generally a firm has several product lines, and within each product line there are usually some products that are functional substitutes for each other and some that are functionally complementary. This strategy of product development brings about an interdependence between products, which is reflected either by a substitution effect (or cannibalism) or by a complementarily effect. Since the objective of the firm is to optimize the overall outcome of its activities, it is clearly necessary to take this interdependence into account when determining prices.

When a firm is selling a set of related products, the price of each product must be set in such a way as to maximize the profit of the entire product line rather than the profit of a single product. The pricing strategy adopted will be different according to whether the related products are complementary to or competitive with each other.

3.5.8 Price Bundling

When the products are related but are non-substitutes i.e. complementary or independent, one strategic option for the firm is optional price bundling, where the products can be bought separately, but also as a package offered at a much lower price than the sum of the parts. Because the products are not substitutes, it is possible to get consumers to buy the package instead of only one product of the line. This pricing strategy is common practice, for instance, in the' automobile and audiovisual markets, where packages of options are offered with the purchase of a car or of stereo equipment.

3.5.9 Premium pricing

This pricing strategy applies to different versions of the same product, a superior version and a basic or standard model. Potential buyers for the standard model are very price sensitive, while buyers of the superior model are not. If economies of scale exist, it is unprofitable for the firm to limit its activity to one of the two market segments. The best solution is to exploit jointly economies of scale and heterogeneity of demand by covering the two segments, the lower end of the market with a low price and the high end with a premium price.

The same pricing strategy can be applied in the service sector by modifying the service package. For example, airlines have used this pricing strategy very successfully. Their market consists of both a price-insensitive business traveller and a very price-sensitive holiday traveller. Business people place a high value on flexible scheduling. In contrast, holiday makers generally plan their trips far in advance. Capitalizing on these differences, airlines set regular ticket prices high and offer discounts only to buyers who purchase their tickets well before departure. By offering lower fares only with inflexible schedules, airlines have been able to price low enough to attract price-sensitive buyers without making unnecessary concessions to those who are less price sensitive.

3.5.10 Image pricing

A variant of premium pricing is 'image pricing'. The objective is the same: to signal quality to uninformed buyers and use the profit made on the higher priced version to subsidize the price on the lower priced version. The difference is that there is no real difference between products or brands; it is only in image or perceptual positioning. This is common practice in markets like cosmetics, dresses, snacks etc., where the emotional and/ or social value of a product or a brand is important for the consumer.

3.6 CHANNELS OF DISTRIBUTION - INTRODUCTION

Exchange is the core aspect of marketing. Ownership of a product has to be transferred somehow from the individual or organisation that makes it to the consumer who needs and buys it. Goods also must be physically transported from where they are produced to where they are needed. Services ordinarily can not be transported but rather are produced and consumed simultaneously. Distribution's role within marketing mix is getting the product to its target market. The most important activity in getting a product to market is arranging for its sale from producer to final consumer. Other common activities are promoting the product, storing it, and assuming some of the financial risk during the distribution process. A producer can carry out these functions in exchange for an order from a customer. Typically, however, firms called middlemen perform some of these activities on behalf of the producer.

In today's economy, most producers do not sell their goods directly to the final users. Between them and the final users stand a host of marketing intermediaries performing a variety of functions and bearing a variety of names. Some intermediaries, such as wholesalers and retailers buy, take title to, and resell the merchandise; they are called merchant middlemen. Others, such as brokers, manufacturer's representatives, and sales agents, search for customers and may negotiate on behalf of the producer but do not take title to the goods; they are called agent middlemen. Still others, such as transportation companies, independent warehouses, banks, and advertising agencies, assist in the performance of distribution but neither take title to goods nor negotiate purchases or sales; they are called facilitators.

Marketing-channel decisions are among the most critical decisions faced by management. The company's chosen channels ultimately affect all the other marketing decisions. A distribution system is a key external resource. Normally it takes years to build, and it is not easily changed. It ranks in importance with key internal resources such as manufacturing, research, engineering, and field sales personnel. It represents a significant corporate commitment to large numbers of independent companies whose business is distribution, and to the particular markets they serve. It represents as well, a commitment to a set of policies and practices that constitute the basic fabric on which is woven an extensive set of long term relationships.

Individual consumers and corporate buyers are aware that literally thousands of goods and services are available through a very large number of diverse channel outlets. What they might not be well aware of is the fact that the channel structure, or the set of institutions, agencies, and establishments through which the product must move to get to them, can be amazingly complex.

3.7 UNDERSTANDING CHANNELS OF DISTRIBUTION

Even before a product is ready for market, management should determine what methods and routes will be used to get it there. This means establishing strategies for the product's distribution channels and physical distribution. A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. A channel of distribution always includes both the producer and the final customer for the product in its present form as well as any middlemen such as retailers and wholesalers. When a manufacturer in order to deliver his goods and services to his final consumers utilizes a set of extra-corporate institutions to affect this distribution, that is called, a channel of distribution.

Marketing channels or channel of distribution can be viewed as sets of interdependent organisations involved in the process of making a product or service available for consumption or use.

From the outset, it should be recognised that not only marketing channels satisfy demand by supplying goods and services at the right place, quantity, quality and price; but they also stimulate demand through the promotional activities of the channel members, e.g., retailers, manufacturers' representatives, sales offices, wholesalers etc., constituting them. A channel of distribution, therefore, should be viewed as a network that creates value for end-users by generating form, possession, time, and place utilities.

A major role that distribution plays in any economy is that it constitutes the process by which goods and services become available for use or consumption. Producers of goods and services specialise in generating structural or form utility for their products, in the sense that they create a unique set of demand satisfiers in the form of their offering. The actual mass scale delivery of these offerings to the consuming public requires a different type of specialised effort, which generates time, place and possession utility as well. In fact, the four types of utility (form, time, place, and possession) are inseparable, there can be no complete product without incorporating all four into any given object idea or service. Furthermore, one cannot obtain and consume a product unless the product is transported to a place where one can get access to it, stored till one is ready to buy it and ultimately exchange for money so that one can gain possession of it. Rarely are the producers or manufacturers in a position to do all these tasks by themselves. A set of intermediaries specialising in some or all of these tasks, therefore, need to be utilised to make the product or service available for consumption. As marketers continue to face hostile, unstable, and competitive environment, distribution will play an increasingly important role. Companies are already moving into new distribution channels that match up with market segments more precisely and effectively. Executives will pay more attention in the future to the distribution channels they select to gain a competitive advantage over other companies or competitors.

3.8 REASONS FOR EMERGENCE OF CHANNELS

In order to understand the marketing channel, it is important to know the reasons for emergence of distribution channels. The primary justification of their existence is economic. There is nothing to prevent a producer from distributing his goods or services by himself. In fact, by using intermediaries, he loses a significant degree of control over the conditions of sale to the final consumer and incurs the cost of margins to be paid to the middlemen. Why then, do they use intermediaries? The answer lies in the economy and efficiency generated through division of labour and specialisation. Channels of distribution in any given economic system emerge because of the following reasons:

(a) Efficiency rationale for intermediaries

Intermediaries arise in the process of exchange and they can improve the efficiency of the process. Marketing activities revolve around the satisfaction of needs and wants through the exchange process. In order to facilitate exchange, barriers of exchange need to be successfully overcome. The first barrier for smooth exchange results from the fact that sources of supply and centres for demand are located at widely dispersed location. Since sources of supply and centres of demand are dispersed geographically throughout the country, there arises the need for physical movement. This need for physical movement is further complicated by the fact that consumers, at varying distance from the manufacturers, require intermittently only small quantities of product which if transported to individual consumers would make the transportation cost prohibitive. This problem is referred to as spatial discrepancy between production and consumption.

The second barrier to smooth exchange process arises because of time of production and the time at which the goods are needed for consumption or use may differ widely. Mass consumption products have to be produced and stocked for in advance of consumption. This discrepancy, referred to as temporal discrepancy between time of production of output and its consumption, creates requirement of inventory stocking.

The third barrier arises from the variation in quantities and assortment demanded. Manufacturers typically produce large quantities of an item or a class of items while the consumers purchase only a limited quantity of a wide variety of items at a time. While producers specialise in production of a few products, the consumers need a very wide variety of items to fulfil their needs and wants. Therefore, facilitate the exchange task, specific quantities and unique assortments must be built up from the range of products produced. This problem signifies the discrepancy of quantity and assortment in the exchange process.

The last barrier to exchange process comes from the intention to buy. The fact that the right products are available in the right quantities and desired assortments at the right place is no guarantee that desired exchange would take place. This situation necessitates that the suppliers of product offerings and utilities try to influence the exchange process towards their own market offerings.

Marketing intermediaries emerge because they perform a very effective role in overcoming these barriers to the exchange process.

(b) Discrepancy of Assortment and Sorting

Channel intermediaries arise to adjust the discrepancy of assortment through the performance of the sorting process. In addition to increasing the efficiency of transactions, intermediaries smooth the flow of goods and services by creating possession, place and time utilities. These utilities enhance the potency of the consumer's assortment. One aspect of this smoothing process requires that intermediaries engage in a sorting function. The sorting function is performed by intermediaries that include the following activities:

- ***Sorting out:*** This involves breaking down a heterogeneous supply into separate stocks that are relatively homogeneous.
- ***Accumulation:*** It concerns bringing similar stocks from a number of sources together into a larger homogeneous supply. Wholesalers accumulate varied goods for retailers, and retailers accumulate goods for their customers.

- ***Allocation:*** It refers to breaking a homogeneous supply down into smaller and smaller lots. Goods received in truck loads are sold in case lots. A buyer of case lots in turn sells individual items. The allocation process generally coincides with geographical dispersal and successive movement of products from origin to end consumer.

- ***Assorting:*** This is the building up of an assortment of products for resale in association with each other. Wholesalers built assortment of goods for retailers, and retailers build assortment for their customers.

(c) Routinisation

Marketing agencies hang together in channel arrangements to provide for the routinisation of transactions. Each transaction involves ordering, valuating of, and paying for goods and services. The buyer and seller must agree to the amount, mode and timing of payment. The cost of distribution can be minimised if the transactions are routinised; otherwise, every transaction is subject to bargaining, with an accompanying loss of efficiency.

Moreover, routinisation facilitates the development of the exchange system. It leads to standardization of goods and services whose performance characteristics can be easily compared and assessed. It encourages production of items that are more highly valued. In fact, exchange relationships between buyers and sellers are standardized so that lot size, frequency of delivery and payment, and communication are routinised. Because of routinisation, a sequence of marketing agencies can perform more efficiently together in a channel.

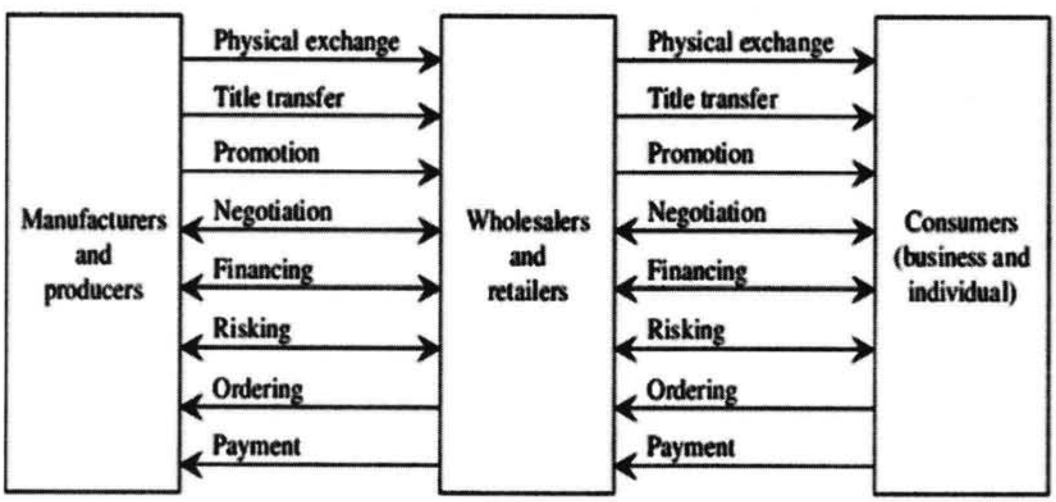
(d) Searching

Buyers and sellers are constantly engaged in search for consummation of desired exchanges. In other words, both buyers and sellers are engaged in double-search process in the market place. The process of search involves uncertainty because producers are not certain of consumers' needs and consumers are not certain that they will be able to find what they want. Marketing channels facilitate the process of searching. For example, products such as over the counter drugs are widely available through a wide variety of outlets like general stores, drug stores, super markets and provisional stores.

3.9 FUNCTIONS AND FLOWS IN MARKETING CHANNELS

Manufacturers, wholesalers, and retailers as well as the other channel members exist in channel arrangements to perform one or more of the functions such as, order processing, carrying of inventory, demand generation, physical distribution, etc. At any given time the functions performed by the channel members are more basic than institutions themselves. Therefore, while channel institutions can be eliminated or substituted, the functions performed by them cannot. The functions that need to be necessarily performed in a channel system include transfer of ownership through selling, transfer of possession through transportation, order processing, inventory carrying, storage, sorting, negotiation and promotion. The same function in a given channel system may be performed at more than one level of the marketing channel, the work load for the function is shared by the members at all levels. For example, manufacturer, wholesalers, and retailers may all carry inventory. This duplication and redundancy in the channel may increase the distribution cost. However, the increase in cost is justifiable to the extent that it may be necessary in order to provide goods to customers at the right quantity, time, and place.

Flow in channels is referred as a set of functions performed in sequence by channel members. Therefore, the term flow is descriptive of movement. Figure 1 depicts important marketing flows. Physical possession, ownership, and promotion are typically forward flows from producer to consumer. Each of these moves down the distribution channel- a manufacturer promotes its product to a wholesaler, which in turn promotes it to a retailer, and so on. The negotiation, financing, and risk flows move in both directions, whereas, ordering and payment are backward flows.



Source: Vaile *et al.* (1952)

Marketing Flows in Channels

3.10 PARTICIPANTS IN THE CHANNEL

There are two types of participants in the channel. The primary participants in the channels of distribution are the manufacturer, the middlemen i.e. the wholesalers, manufacturers' agents and retailers. The secondary participants include the facilitating agencies like the financial institution, public warehouses, public carriers and the advertising agencies.

(a) Primary participants

Wholesalers: Wholesalers are defined as all establishment or places of business primarily engaged in selling merchandise to retailers to industrial commercial, industrial institutional or professional users, or to other wholesalers or acting as agents in buying or selling merchandise to such companies. Two classes of wholesaler establishments can be clearly distinguished. These are the merchant wholesaler and the manufacturers' agents. The former are characterised by the fact that they take title to the goods they distribute. Manufacturer's agents buy and sell on behalf of the manufacturer and nowhere in the exchange process take title to goods. Merchant wholesalers may be of several types for example commission merchants, selling agent, buying agents cash and carry wholesalers etc.

Retailers: Retailers are all the establishments engaged in selling merchandise for personal or household consumption. They are distinguished from wholesalers by the fact that they sell primarily for ultimate use. Although wholesalers may also sell to ultimate consumers, this selling activity does not form the bulk of their operation. A variety of types of retail establishments exist in the Indian market today ranging from sophisticated departmental stores and supermarkets to limited time stores catering to a few customers and carrying limited merchandise.

(b) Facilitating Participants

Financial Institutions: Financial institutions provide the essential finances needed to finance primary participants of the channel system. A very significant financing need relates to the provision of capital for inventories, which must be financed at many levels as inventories move from production to consumption.

Public warehouses: The public warehouses rent space to owners of inventory thereby eliminating the need to invest in storage facilities. For agricultural products the both government owned or privately owned warehouses are extensively used.

Public carriers or transport carriers: Transportation forms a cost centre in distribution management. To a large extent distributive effort is dependent upon the services of public carriers like transporters and railways to affect the transfer of physical possession of goods. The efficiency of the transportation system influences the size of inventories which must be maintained channel system. If a reliable transport system is readily available, products can flow through the channel at a constant rate, thus minimising the need for maintaining large inventories.

Advertising agencies: These facilitating agencies help in facilitating negotiation, by creating awareness of products and stimulating demand. They function at each level of the channel for producers, wholesalers and retailers. Without the kind of information given through these agencies at various levels, seeking and selecting product sources would become a tedious task for buyers. Advertising agencies, therefore, help in the search process.

3.11 DESIGNING DISTRIBUTION CHANNELS

A company wants a distribution channel that not only meets customers' needs but also provides an edge on competition. Some firms gain a differential advantage with their channels. Marketers should keep in mind the following points while designing distribution channels.

(a) Specifying the role of distribution

A channel strategy should be designed within the context of the entire marketing mix. First the firm's marketing objectives are reviewed. Next the roles assigned regarding product, price, and promotion are specified. Each element may have a distinct role, or two elements may share an assignment.

A company must decide whether distribution will be used defensively or offensively. Under a defensive approach, a firm will strive for distribution that is as good as, but not necessarily better than, other firms' distribution. With an offensive strategy, a firm uses distribution to gain an advantage over competitors.

(b) Selecting the type of channel

Once distribution's role in the overall marketing programme has been agreed on, the most suitable type of channel for the company's product must be determined. At this point in the sequence, a firm needs to decide whether middlemen will be used in its channel and, if so, which types of middlemen.

(c) Determining intensity of distribution

The next decision relates to intensity of distribution, or the number of middlemen used at the wholesale and retail levels in a particular territory. The target market's buying behaviour and the product's nature have a direct bearing on this decision.

(d) Choosing specific channel members

The last decision is selecting specific firms to distribute the product. When selecting specific firms to be part of a channel, a producer should assess factors related to the market, the product, its own company, and middlemen. Two additional factors are whether the middleman sells to the market that the manufacturer wants to reach and whether the middleman's product mix, pricing structure, promotion, and customer service are all compatible with the manufacturer's needs.

3.12 SELECTING CHANNEL MEMBERS

Marketing channel decisions are among the most crucial decisions company has to take. The company's chosen channels intimately affect all the other marketing decisions. The company's pricing depends whether it uses extensive distribution or selective distribution. Likewise sales force and advertising decisions depends on how much training and motivation the intermediaries need. Effective channel decision means that- management must take into consideration a number of constraints to determine how they are likely to influence various channels structure. It is seen that each manufacturer selects its intermediaries in the context of constraints stemming from market, product, customer, company, etc.

The Market: Customer buying habits is one of the most important aspects of the marketing process. If a customer is used to buying a particular thing from a particular place, it is difficult to change his mindset. It is seen that the market size and location play an important role in distribution strategy of the company. If the buyers are concentrated in a particular area, then distribution can be achieved with few middlemen, but if buyers are scattered, then many middlemen are needed to cover up the area.

The Product: Product characteristics are important elements which should be taken into consideration for selection of intermediaries among few important characteristics of a product, its nature, value, degree of differentiation from competitive products. The products which physically deteriorate fast and those which experience rapid fashion obsolescence are considered to be highly perishable and require more direct marketing because of the possibilities of delay and repeated handling of the product, which may lead to its deterioration. In case of non-perishable products, company may go in for indirect channel. It is seen that higher the cost per unit of the product larger the investment to keep the inventories in the market. In this case manufacturers may go in for intermediaries to share the responsibility of marketing the product to ultimate user. In case of low unit value products, companies choose indirect channels, unless value is high enough involving high profit margin to support direct channels.

For marketing highly technical products, companies employ technically qualified sales and service personnel for product demonstration, pre-purchase persuasion and post-purchase sales service. Brand loyalty is highest in speciality goods and lowest in convenience goods. In case of low brand loyalty products, substitutability is very easy, and company has to employ intensive distribution. In order to provide support for such products, the company offers more than normal margins to its intermediaries. Some companies even use selective or exclusive distribution system to provide necessary channel support. Customer service is an important ingredient of the physical distribution system. It can be used to differentiate the products, and may influence the pricing policy of the market, if customers are willing to pay more for better service. Product information means company's ability to provide different types of information to the customers. Customers are willing to know about the status, confirmation of the orders or substitution of the order, or any other relevant information regarding products. The company should provide these product related information to the customer. The ability of channel member to cooperate in this regard is also a factor in channel design. It refers to the time required from placement of orders to the receipt of the same by the customer and the ability of the supplier to meet consistently the targeted order cycle time. It is seen that most customers generally prefer consistent service to fast service, because in the former case it allows them to plan inventory levels to a much greater extent than is possible with a fast and highly variable order cycle.

Company's Characteristics: Company's characteristics are the important element affecting channel selection decisions. It is generally seen that the size of company plays an important role in deciding the size of the market, thereby evolving a desired channel of distribution. Often it is stated that the greater the financial resources available to company, the lower is its dependence on intermediaries. Though it is not a hard and fast rule, but in some cases like industrial and electronic products the company generally employs its own sales and support services. Even small firms with limited market coverage also sell the products directly.

Competitive Characteristics: Design of a channel is influenced by competitors' channels. In some cases manufacturer may want to compete in or near the same distributive outlets selling the competitors products. For example, Bata and Carona Shoes or Liberty Shoes outlets are often situated near each other. But in some industries manufacturers want to avoid the channels used by competitors because of scarcity of display place, unhealthy competitions etc. *Environmental Characteristics*: When the environmental characteristics such as economic conditions are in depressed form, manufacturers want that their product should move to the market in the most economical way. In other words, economic environment has direct effect on channel selection. In this case the company has to choose shorter channel to avoid extra cost to be incurred on marketing the product. Since the functionality of the intermediaries is influenced by the performance of non-member participants, the company should analyse the impact of economic, competitive, technical and legal environmental factors especially since each of them is dynamic in nature.

3.13 VERTICAL MARKETING SYSTEM

One of the most significant recent channel developments consists of vertical marketing system, which has emerged to challenge conventional marketing channels. A conventional marketing channel comprises an independent producer, wholesalers, and retailers. Each is a separate business entity seeking to maximize its own profits, even if it reduces for the system as a whole. No channel member has complete or substantial control over the other members. Conventional channels are highly fragmented networks in which loosely aligned manufacturers, wholesalers, and retailers bargain with each other at arm's length, negotiate aggressively over terms of sale, and otherwise behaved autonomously.

A vertical marketing system (VMS), by contrast, comprises the producer, wholesalers, and retailers acting as a unified system. Any one channel member owns the others or franchises them or has so much power that they all cooperate. The vertical marketing system can be dominated by the producer, the wholesaler, or the retailer. VMSs are professionally managed and centrally programmed networks, pre-engineered to achieve operating economies and maximum market impact.

VMSs came into being to control channel behaviour and eliminate the conflict that results when independent channel members pursue their own objectives. They achieve economies through their size, bargaining power, and elimination of duplicated services.

Vertical marketing systems are of three types, namely corporate, administered and contractual. These are briefly described below:

(i) Corporate Vertical Marketing System (VMS): In the corporate vertical marketing system, successive stages from production to distribution are under single ownership of any of the channel members. Vertical integration is achieved through forward or backward integration. For example, Bata and Woodlands own their shoe shops across the country while also manufacturing footwear. Likewise, Raymonds owns some retail stores across the country while also producing textiles and woollens.

(ii) Administered VMS: Unlike the corporate VMS, administered VMS seeks to control successive stages from production to distribution not through ownership but through the size and power of one of the channel members. Brand leaders or firms that are market leaders are able to obtain trade cooperation. Firms like Hindustan Lever, Lipton, Proctor and Gamble, Nestle, TELCO, Maruti and others are able to get shelf space, promotional support and also support for price policies from the trade, mainly because their brands are market leaders.

(iii) Contractual VMS: This consists of independent firms at different levels of production and distribution integrating their programmes on a contractual basis to obtain larger economies of scale and, or sales impact than they could achieve alone. Some are wholesaler sponsored voluntary chains like the ones in vegetable and food markets, others, retailer sponsored like Apna Bazaar in Mumbai (retail cooperatives) and still others are franchises like Pepsi or Coke franchising a firm to produce and market their range of soft drinks in different areas. This form of VMS has a great future as synergies are possible.

3.14 CONFLICT MANAGEMENT

No matter how well channels are designed and managed, there will be some conflict for no other reason than the interests of independent business entities do not always coincide. To manage channel conflict marketer must understand- the type; nature or the cause; and magnitude of the conflict. He should also appreciate that conflict cannot be totally eliminated. It can only be minimized.

(a) Types of Conflict

In any channel arrangement there can be three types of conflict— vertical level conflict; Horizontal level conflict; and Multi-channel level conflict.

(i) The Vertical Level Conflict: Vertical level conflict occurs when the channel member at one level is in conflict with another member at the next higher or lower level. For example, a conflict between the wholesaler and the manufacturer is a vertical level conflict or the major retailers in the town conflicting with the distributor over entitlements.

(ii) Horizontal Level Conflict: Conflict at the same level between channel members is called horizontal level conflict. Hence, inter stockist conflict or conflict at the retail level among retailers on issues like pricing and territory jumping are examples of horizontal level conflict.

(iii) Multichannel Level Conflict: Sometimes the middlemen come in conflict with the manufacturer, using both direct and indirect means of distribution. Such a conflict is called multichannel level conflict. For example, the firm may have its own franchise outlet or its own shop in an area, where, it may also be distributing the product through established middlemen. The former is direct distribution while the latter is indirect distribution. The conflict may occur when the franchise prices its products lower than the middlemen, wholesaler or dealer, or when the firm retails a larger range of products through its own outlet than the wholesaler or stockists. Likewise conflict occurs when an order has been obtained with the joint efforts of the company's sales force and dealer.

(b) Nature or Causes of Conflict

Channel conflict occurs largely due to financial and non-financial reasons. These in turn may be traced to the following causes:

(i) Goal incompatibility: A major factor causing conflict between manufacturers and wholesalers is the perceived goal incompatibility between them. For example, while the manufacturer perceives his goals to be market share and profit maximization in the long run, wholesalers perceive their goal to be sales maximization and thereby profit maximization. The latter even prefer to work at higher margins and on short-term profitability. This makes the manufacturer accuse the wholesaler of being "fair weather partners" and the wholesaler accuses the manufacturer of squeezing his margins. This is typically what happens with all large manufacturers and their channel members today.

(ii) Role ambiguity: Many a time conflict has occurred because of role ambiguity. This is a common cause of conflict in multichannel conflict. For example, the role of the manufacturer's sales force and dealer in selling products to major accounts or institutional customers in the territory is often unclear in some companies. This often creates conflict in these companies, relationship with the channel.

A well known automobiles component manufacturer had such a conflict when one of its distributors started directly selling to retailers, through his mobile van bypassing large wholesalers in the territory. The wholesalers revolted and started pushing the competitors' products. Lack of role clarity of any of the channel members can be a source of potential conflict.

(iii) Differences in Perceptions of the Market: Different perceptions of the market and economy may also create a conflict between the manufacturer and middlemen. For example, a manufacturer may perceive an opportunity in the booming Indian middle class market and, hence introduce new products, multiple brands and even appoint wholesalers in distant areas. The existing dealers of this firm may not see the picture this way and may perceive the appointment of multiple dealers and downsizing their (former dealers) territory as dilution of their control over the market.

(c) Magnitude of the Conflict

This refers to the seriousness of conflicts. At times the conflict may not be of a magnitude demanding the manufacturer's attention. For example, inter-dealer conflicts in the territory over prices or territory jumping. But when the conflict assumes significant magnitude (this is often reflected by the impact the conflict has on the manufacturer's sales and market share in the territory), the manufacturer must take the initiative to resolve it. For, ultimately it is the manufacturer who is the leader of the channel. Moreover, a serious conflict will affect his market share in the territory.

(d) Managing the Conflict

To minimize the conflict, the manufacturer may take the following steps:

(i) Communication: An effective way to minimize channel conflict is to have regular communication between the manufacturers and the channel members. Most Chief Executives today spend time with their channel members to understand market dynamics and communicate brand's positioning strategies. These meetings are also used to resolve channel member's problems. While these are many a time informal meetings some companies have an in-house newsletter which they send to all their major dealers. This newsletter informs channel members of happenings in the market place and also the company's perspective of the products and markets.

(ii) Dealer councils: Another way to resolve conflict is through formation of dealer councils. Such council can resolve issues in horizontal level conflicts and even vertical conflicts. The manufacturer continues to play the key role in these councils. Often the criticism or fear voiced in this regard is that such councils can provide a platform for dealers to jointly voice their grievance against the manufacturer. These councils unite dealers. But, if the manufacturer can keep the councils focussed on market leadership and maximization of returns on investment, and is also willing to accept constructive suggestion, the dealer council can become an effective tool for intervening in the market place.

(iii) Superordinate goals: Another way to resolve channel conflict is to evolve superordinate goal of maximizing customer satisfaction. If the channel members can be motivated to perceive customer satisfaction as the ultimate goal of all members in the channel and this in turn leading to profit maximization of all concerned, then much of the conflict can be resolved. Often superordinate goals development is easier only when the threat from the other firms is high.

(iv) Arbitration and mediation: Often, the conflict among channel members may be resolved only through arbitration and mediation. Generally in the intra-middlemen conflict-horizontal or vertical (wholesaler vs retailers)- the manufacturer may arbitrate or mediate. But, when it is between the manufacturer and dealers, arbitration or mediation may be done by independent individuals or institutions like a court or government agency like the drug controller mediating between pharmaceutical companies and their stockists.

KEYWORDS

Value: The power of one product to attract another product in an exchange.

Barter: The exchange of products without the use of money.

Price competition: The competition which is exclusively based on price. It is especially in those kinds of products which are similar in nature and are not distinctive on the basis of their features, such as raw materials.

Non price competition: Competition emphasizing product features rather than price.

Pricing objectives: The desired result associated with a particular pricing strategy. For example, Skimming is associated with getting higher price for a new product.

Product line pricing: When a firm is selling a set of related products, the price of each product must be set in such a way as to maximize the profit of the entire product line rather than the profit of a single product.

Channel of distribution: The complete sequence of marketing organisations involved in bringing a product from the manufacturer to the ultimate consumer.

Merchant intermediary: An intermediary who takes the title of the product such as wholesaler or retailer.

Agent intermediary: An intermediary who does not owns a title. He only brings together the sellers and buyers.

Vertical marketing system: A network of vertically aligned organisations that are professionally managed and all the activities of all the intermediaries move in the same direction.

Franchise: It is a type of contractual agreement between an original manufacturer and a franchise by which the franchisee distributes the franchisor's product.

Channel conflict: When there is a kind of dispute between distribution channel members.

QUESTIONS

1. What do you understand by 'price' of a product? Discuss the importance of pricing decisions.
2. Explain the various objectives which a firm can have while deciding the price of its products.
3. Discuss the various pricing strategies available to an organisation.
4. Write a detailed note on 'price elasticity'.
5. What do you mean by marketing channel? Discuss in brief the functions and flows in marketing channel.
6. Discuss in brief the concept of 'Vertical Marketing System' wit suitable examples.
7. Write in brief the causes of channel conflict, its type and methods to minimise it.
8. Write a detailed not on the reasons for emergence of channels of distribution.
9. "You can eliminate middlemen, but you cannot eliminate essential distribution activities". Elaborate.

UNIT IV

PROMOTION MIX AND ADVERTISING

4.1 INTRODUCTION TO PROMOTION MIX

Promotion includes all those activities which are aimed at creating or stimulating demand. It has been defined as "the coordination of all seller-initiated efforts to set up channels of information and persuasion to facilitate the sale of a good or service, or acceptance of an idea". Thus, promotion is a marketing activity which is aimed at informing, persuading and inducing the customer to buy goods or services. The role of promotion in marketing mix may be seen in Fig. 1. It shows that promotion is in tandem with other elements of marketing strategy, viz., product, pricing and distribution strategies. The marketing manager cannot design his promotion strategy unless it is decided what products are to be sold, what is their price and what distribution channels are to be used· for selling. Once these decisions have been made, he is ready to determine his advertising, sales promotion, personal selling and publicity programmes for reaching the target market. Promotion programmes aimed at present and potential customers result in sales. Sales volume provides feedback for marketing objectives and marketing strategies including promotion strategy and indicate the need for adjustments in them for the achievement of sales targets.

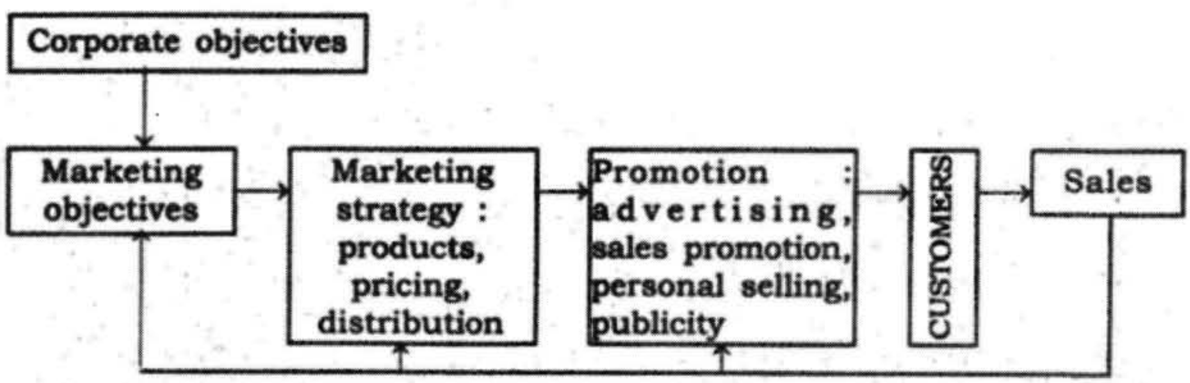


Fig. 1: Promotion as Constituent of Marketing Strategy

The five major promotion tools, called the promotion mix, are advertising, personal selling, sales promotion, publicity and public relations. Each of these promotion tools has its own characteristics.

- Advertising is a unilateral and paid form of non-personal mass communication by a clearly identified sponsor. Usually it is designed to create a favourable attitude toward the company or product.
- Sales promotion includes all short-term incentives, generally organized on a temporary and for local basis, and designed to stimulate immediate purchase and to move sales forward more rapidly than would otherwise occur, and to effect higher demand.
- Public relations involve a variety of actions aimed at establishing a positive corporate image and a climate of understanding and mutual trust between a firm and its various publics. Here, the promotion objective is less to gain moral support from public opinion for the firm's economic activities, which ultimately would help the company in accomplishing its objectives.
- Personal selling has the objective of organizing a verbal dialogue with potential and current customers and to deliver a tailor-made message with the short-term objective of making a sale. Its role is also to gather information for the firm.
- Publicity, like advertising, is an impersonal method of promotion and it is also addressed to groups of audience. It differs from advertising in the sense that it is not sponsored by the seller. It is the coverage of commercially significant information regarding the company and/ or its products is form of a news item or popular article by the media on its own.

In addition to these traditional promotion tools, one must also add direct mail, catalogue selling, fairs and exhibitions, telemarketing etc.

Although these means of promotion are very different, they are also highly complementary. The problem is, therefore, not whether advertising and sales promotion are necessary, but rather how to allocate the total budget to various promotion tools, given the product's characteristics and the chosen communication objectives.

4.2 PROMOTIONAL COMMUNICATION SYSTEM

One of the most important purposes of promotion is to inform and influence the buyer behaviour. It achieves this purpose through promotional communication. The marketer informs the potential customer audience about the product, its distinguishing features, functions, price, dealer location, etc. The marketer also uses his communication to convince the potential customers about the product so as to induce them to purchase it. A model of promotional communication is given in Fig. 2.

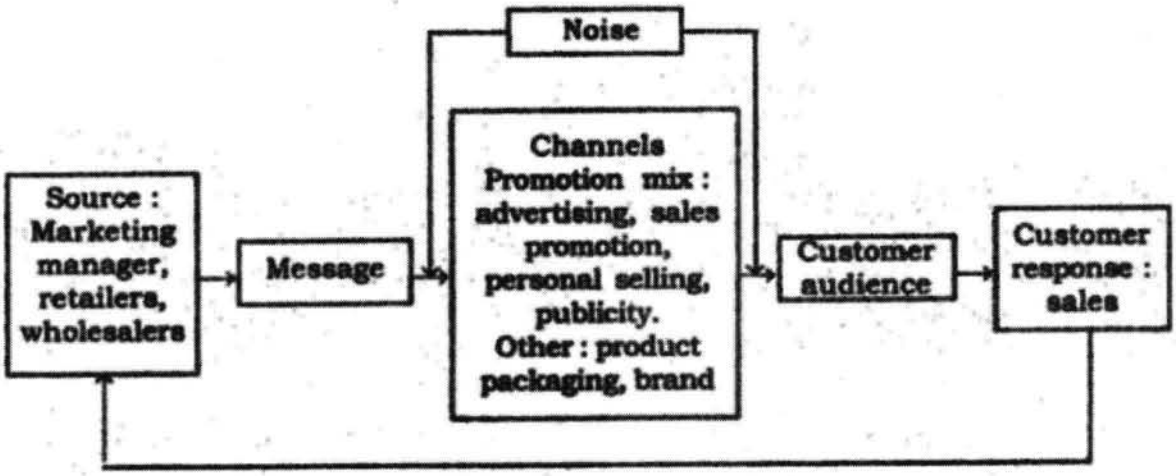


Fig. 2: Promotional Communication System

It shows that promotional communication may originate from the marketing manager of the company manufacturing the product, wholesaler or dealers, or a combination of them. It may also be in the form of a write-up in a newspaper or magazine such as The Economic Times, Femina, etc. The customer reaction to promotional message is considerably influenced by their perceived credibility of the source. This emphasizes the· need of integrity in advertising, personal selling and other promotional activities.

The communication source sends promotional messages to customer audience. These messages may be about the functional utility of the product, quality, price, status value, etc. For example, Lipton Tea Co. focuses on the theme "Tea is warm in winter and cool in summer". It thus aims at convincing its customers that tea, though a hot drink is good not only in winter but also in summer. The Life Insurance Corporation is now attempting to promote insurance by emphasizing that investment in an insurance policy is as lucrative as a recurring deposit account in a bank as it does not attract income tax on the insured amount when received, and insurance premia are also tax exempted.

The marketer has a number of communication channels available to him. Important among them are advertisements in newspapers and magazines, direct mail, hoardings, radio, television, movie strips, face-to-face contacts by salesmen, publicity, and sales promotion displays, discounts premiums, gifts, coupons, etc. Word-of-mouth communication among consumers is also an effective promotional tool although it is riot controllable by the marketer. Other elements of marketing such as the product, packaging, brand name and pricing also inform, influence and induce the buyers. The marketer generally uses a number of these communication modes in combination so as to reinforce each other.

Noise or distortion enters the communication system at two stages. The message intended by the marketer may be distorted or not fully understood by the media with the result that the actual message communicated to the audience differs from the intended message. Noise may also occur in the channel, and at the level of the receiver of the message. The audience is often subjected to conflicting promotional messages by competing marketers. There may be noise on the television or radio, or the advertisement may be so obscured in the newspaper that it is lost. Another example of noise is distraction of the client due to worry, anxiety or busy schedule when the salesman is trying to promote the product, or when he is listening the commercial on the radio.

The customer audience reacts to promotional messages received from various channels. A positive customer response results in present or future sales. The customers' response provides feedback to the marketing manager, who modifies his message and channels with a view to enhancing their effectiveness.

Conditions for effective communication: Four conditions can be identified:

- *Communication objectives*: Sender must know what audiences they want to reach and what type of response they want from them. This implies the choice of 'a target audience and the determination of specific communication objectives. These tasks are typically the responsibilities of strategic marketing people.

- *Message execution*: Communicators must be skilful In encoding message and able to understand how the target audience tends to process messages. This involves designing communication messages and ensuring, through testing, that they are processed by the target group in the intended manner to produce the desired communication effect.

- *Media planning*: Two decisions are involved here. *First*, media selection, i.e. 'where' to reach the target audience most efficiently; second, media scheduling, i.e. 'how often' the target audience needs to be reached to produce the intended communication objective.

  These last two tasks are in general assumed by advertising agencies and/or by agencies specializing in media planning.

- *Communication effectiveness*: The advertiser must identify the audience's response to the message and verify as to what extent the communication objectives have been achieved.

Applying the concept of marketing to advertising implies developing messages that relate to buyers' experience, namely by adopting a language they can decode. These four conditions for efficient communication determine the various decisions to be taken in any marketing communication programme.

Electronic communication: As a result of the impetus from developments in telematics, cable television, pay-TV, satellite communication, interactive videotext terminals, personal computers etc., electronic communication is at present in full development. These new possibilities influence our way of life as well as the promotion strategies of rums.

The development of electronic communication not only modifies the respective roles of personal selling and of advertising, but also changes the objectives and the content of advertising communication. Many significant changes are already observable in our society.

- To begin with, the new means of communication tend to be more interactive, i.e. two-way rather than one-way as in the past. Today, the general public has the possibility of asking for, choosing and sending back information rather than simply being passively subjected to a bombardment of irrelevant messages. We are moving in fact towards demanded advertising.

- Furthermore, it is now possible to have access to huge data banks, in the most varied fields, on available products, their comparative performance, their prices etc. The firm will, therefore, face a more and better informed public. Such facts will further reinforce the informative and factual character of communication, which will increasingly be set up as an aid to the buyer rather than as a sales instrument.

- Another consequence of the development of electronic communication is its greater selectivity. The combination of possibilities offered by the telephone, the computer and the television means that very well-defined targets can be reached with personalized messages. We are, therefore, moving towards personalized electronic mail systems which would improve communication effectiveness and favour the development of interactive marketing.
- Regionalization of radio and television programmes also favours selectivity of communication. The introduction of local channels will allow local firms and local advertisers to have access to radio and television. Media plans could allocate different degrees of pressure from region to region and thus better adapt the brand situation from one region to another.
- Finally, another consequence is that the considerable increase in geographic zones covered by a transmitting station, thanks to the use of satellites and cable, will reinforce the internationalization of brands and advertising campaigns.

Thanks to these developments in the means of communication, a whole series of tasks once exercised by salespersons could henceforth be achieved by impersonal means of communication at a lower cost. Well-addressed direct mail, the telephone, a catalogue that can be consulted on a TV screen or a computer can all bring more extensive and more precise information faster than a sales person's sales speech.

However, the growth of these new communication means doesn't imply elimination of the sales person. A personal contact will always be necessary. Electronic communication completes the action, prepares it and makes it more productive.

4.3 FACTORS AFFECTING PROMOTION MIX

The factors that guide a marketer's decision in selecting a promotion mix are:

(a) Nature of the product: Promotion mix significantly depends on the nature of the product. For example, industrial goods need a different kind of promotion than consumer goods. Industrial goods, particularly plant, machinery and other expensive installations need a heavy emphasis on personal selling. Advertising and direct mail may perform the informational role. The buyer wants to know detailed specifications and uses of the product as well as demonstration of the product which requires a salesman to do it. Sales of these speciality items also require a considerable amount of after-sales services.

Consumer goods also sharply differ from one another. Convenience goods differ from shopping goods and speciality goods. Convenience goods are typically low-priced items, and are not subject to change in fads and fashions. The customer has full knowledge of these goods and devotes minimum effort in buying them. Convenience goods include· groceries, stationery, etc. Personal selling plays a minor role in promoting the sale of such ·goods. Heavy emphasis is placed on manufacturers' advertising and dealers' displays.

Shopping goods differ from convenience goods in that the customer does not possess full knowledge about the product features and uses before he embarks on buying it. Consumer wants to compare quality, price and product features of several brands before making the buying decision. Examples of shopping goods are textiles, furniture, radio, etc. Promotion of shopping goods requires considerable emphasis on personal selling, backed up by advertising.

Speciality goods are those goods which possess "unique characteristics and/or brand identifying effort". In the case of speciality goods, the customer possesses full knowledge of the product that he wants to buy. In this respect, speciality goods resemble convenience goods and differ from shopping goods. However, in the case of speciality goods, the customer has special preference for a particular brand. For example, a customer of cigarettes wants to buy pot any cigarette but a particular brand of cigarette, say Gold Flake. Thus consumer preference of a specific brand is a distinctive feature of speciality goods. They, therefore, need heavy emphasis on advertising for promoting selective demand.

(b) Nature of the Market: Market characteristics exercise an important influence in the design of promotion mix. A firm operating in a small local market generally prefers to concentrate heavily on personal selling. On the other hand a firm dealing in goods having regional or national market, has to depend more on advertising.

Another market characteristic influencing the promotion mix decision is the density of customers. Concentration of one or a few types of customers in a market area requires a different type of promotion strategy than the one requires for a market where a variety of customer groups are found. Moreover, even if a firm has nationwide market, most of its customers maybe concentrated in a limited number of geographical areas. For example, automobiles have a national market, but major portions of trade are concentrated in big cities like Ahmedabad, Bombay, Calcutta, Indore, Kanpur, etc. As a general rule, it may be held that greater the density of customers, greater is the scope for personal selling; more dispersed the customers, more a firm has to rely on advertising.

(c) Overall marketing strategy: i.e. whether the firm wishes to "push" the product or create a "pull" for the product. The "push" refers to selling the product aggressively to the marketing network. In this strategy the emphasis is on personal selling and trade promotion. But in "the "pull" strategy the firm creates con1umer demand for its product or brand such that the customer demands the brand at the retail outlet. Advertising and consumer promotion go a long way in creating the desired pull for the brand.

(d) Buyer readiness stage: The choice of different elements of promotion mix is also dependant on the buyer's readiness and awareness of the brand. Depending on where the buyer is in the hierarchy of response models, promotion mix can be assembled. Like advertising will play a major role in creating awareness, demonstration and samples will help bring about a change at the affective and behavioural levels while personal selling.

(e) Product life cycle stage: will also playa role in deciding on the promotion mix. For example, in the introduction stage, advertising and publicity have a significant role and prove to be cost effective in creating awareness, desire and finally the trial. Even samples· play a key promotional role in industrial products. But in the maturity stage, sales promotion and personal selling help make the product steer through the competition maze. Thus it is important to know where the product is in its life cycle.

4.4 ELEMENTS OF PROMOTION MIX

The *first* and *foremost* tool of promotion is advertising. In today's marketing scenario, it can be easily said that "No advertising, No business". Advertising is a means of communication by which a firm can deliver a message to potential buyers with whom it is not in direct contact. When a firm resorts to advertising, it is effectively following a pull communication strategy. Its main objective is to create a brand image and brand equity, and to ensure cooperation from distributors. Just as the sales force is the best tool for a push strategy, advertising is the best means for a pull strategy.

4.4.1 Role of Advertising

- For the firm, the function of advertising is to produce knowledge for consumers and to generate interest among them in order to create demand for its product.
- For consumers, advertising allows them to learn about the distinctive characteristics claimed by the manufacturer. Advertising also helps them to save personal time, since the information reaches them directly without their having to collect it.

4.4.2 Types of Advertising

Since the advent of the early form of advertising, advertising communication objectives have diversified considerably, and different forms of advertising can be identified while using the same media.

(i) Concept advertising: This is a media advertising message with a mainly 'attitudinal' communication objective: to influence the buyer's attitude towards the brand. Its role can be summed up as "The creative efforts of many national advertisers are designed, not to induce immediate action, but to build favourable attitudes that will lead to eventual action i.e. purchase. This definition implies that the effectiveness of this type of advertising can only by viewed from a long-term perspective. The notion of attitude holds a central position here. The objective is mainly to create an image based on communicating a concept".

(ii) Promotional advertising: This is a media advertising message with a mainly 'behavioural' communication objective: to influence buyers' purchasing behaviour rather than their attitudes. The objective is to trigger the act of purchase. Its effectiveness is evaluated directly in terms of actual sales. This is the most aggressive type of communication, although it is not incompatible with image creation. However, its immediate purpose is to achieve short-term results.

(iii) Response advertising: This is a personalized message of an offer, having the objective of generating a 'relationship' with the prospect by encouraging a response from the latter on the basis of which a commercial relation can be built. This type of advertising tries to reconcile the characteristics of the two previous ones: building an image, but also encouraging a measurable response allowing an immediate appraisal of the effectiveness of the communication.

(iv) Institutional advertising: In the first three styles of communication, the product or brand is at the heart of the advertising message. Institutional advertising does not talk about the product, but aims to create or reinforce a positive attitude towards the firm. The objective is, therefore, to create an image, but that of the firm: to describe the firm's profile and stress its personality in order to create a climate of confidence and understanding. The purpose is to communicate differently in a saturated advertising world and to fight against the fatigue of product advertising with a sorter approach, by drawing attention to the firm itself, its merits, its values and talents. Clearly, the effectiveness of this kind of advertising can only be evaluated in the long-term.

4.4.3 Prerequisites of Effective Advertising

There are many firms that tend to assimilate advertising with marketing and to approach marketing by advertising. In fact, advertising is only a complement, which is sometimes but not always indispensable, to a more fundamental process of strategic marketing. For advertising to be effective, a number of prerequisites should ideally prevail:

Advertising is one element of the marketing mix and its role cannot be separated from the roles' of the other marketing instruments. As a general rule, advertising will be effective only when it is compatible with and supports other marketing factors such as a differentiated and clearly positioned product, a competitive price, a well-adapted distribution network.

Advertising is useful to the consumer for complex products having internal qualities that cannot be discovered by inspection. For experience goods, such as motor oil and hair conditioner, consumers have lots to gain from truthful advertising.

To be effective, advertising should promote a distinctive characteristic to clearly position the brand in the minds of consumers as being different from competing brands. The distinctive characteristics can be the promise of the brand, as also its personality, its design and style or its prestige value.

Advertising is particularly effective in markets or segments where primary demand is expansible. Its role is then to stimulate the need for the product category as a whole. In non-expansible markets, the main role of advertising is to stimulate selective demand and to create communication effects at the brand level.

The size of the reference market must be large enough to absorb the cost of an advertising campaign, and the firm must have enough financial resources to reach the threshold levels of the advertising response function.

Thus, the advertising communication platform is the complement of a strategic marketing programme. The advertising positioning sought must be in line with the marketing positioning adopted and based on a sound strategic thinking, without which advertising cannot be effective.

4.5 DEVELOPING AND MANAGING AN ADVERTISING PROGRAM

In developing a program, marketing managers must always start by identifying the target market and buyer motives. Then they can make the five major decisions in developing an advertising program, known as the five Ms: (i) *Mission*: What are the advertising objectives? (ii) *Money*: How much can be spent? (iii) *Message*: What message sh6bld be sent? (iv) *Media*: What media should be used? (v) *Measurement*: How should the results be evaluated? These decisions are described in the following sections.

(a) Alternative Advertising Objectives

- *Cognitive response*, which relates to awareness and knowledge of the product characteristics. At this level, the advertiser can set objectives of information, recall, recognition or familiarity.

- *Affective response*, which relates to the overall evaluation of the brand in terms of feelings, favourable or unfavourable judgements and preferences. The objectives will be to influence attitude and to create purchase intention.

- *Behavioural response*, which refers to buying behaviour and to post-purchase behaviour, but also to all other forms of behavioural response observed as the result of a communication, such as visiting a showroom, requesting a catalogue, sending a reply coupon.

Creating Brand Awareness: This is the first level of cognitive response. We define brand awareness as the buyer's ability to identify a brand in sufficient detail to propose, choose or use a brand. Three kinds of advertising objective, based on awareness, can be identified:

- To create or maintain brand recognition so that buyers identify the brand at the point of sale and are induced to check the existence of a category need.

- To create or maintain brand recall to induce buyers to select the brand once the category need has been experienced.

- To emphasize both brand recognition and brand recall.

These communication objectives imply different advertising contents. For brand recognition, the advertising content will emphasize the visual elements (logo, colours, packaging), while for brand recall the advertising will seek to repeat the brand name in audio and visual media and in headlines and to associate the brand name with the core service.

Creating a favourable brand attitude: The objective is to create, improve, maintain and modify buyers' attitudes towards the brand. It is, therefore, affective response which intervenes here. The following communication strategies are open to the advertiser:

- To convince the target audience to give more importance to a particular product attribute on which the brand is well placed in comparison to rival brands.
- To convince the target audience of the firm's technological superiority in the product category.
- To reinforce beliefs and the conviction of the target audience on the presence of a determining attribute in the brand.
- To reposition the brand by associating its use with another set of needs or purchase motives.
- To eliminate a negative attitude by associating the brand with a set of positive values.
- To call attention to neglected attributes by consumers in their decision-making process.
- To alter the beliefs of the target audience about competing brands.

It is important to identify clearly the implicit assumptions of a communication strategy based on brand attitude. They can be summarized as follows:

- The advertiser must emphasize the features or attributes in which it has the strongest competitive advantage.
- It is useless to try to modify buyers' perceptions when the brand does not really have the claimed characteristic.
- Adopt arguments or themes which are related to product attributes important to the buyer.

In other words, a market-driven communication strategy is based on the idea that advertising is mainly designed to help the buyer buy and not simply praise the advertiser. This vision of a communication strategy falls well in line with the modern marketing concept.

DAGMAR Approach: Many specific communication and sales objectives can be assigned to advertising. Colley lists 52 possible advertising objectives in his Defining

Advertising Goals for Measured Advertising Results. He outlines a method called DAGMAR (after the book's title) for turning objectives into specific measurable goals. An advertising goal (or objective) is a specific communication task and achievement level to be accomplished with a specific audience in a specific period of time.

Advertising objectives can be classified according to whether their aim is to inform, persuade, or remind.

- *Informative advertising* figures heavily in the pioneering stage of a product category, where the objective is to build primary demand.
- *Persuasive advertising* becomes important in the competitive stage, where a company's objective is to build selective demand for its brands. Some persuasive advertising uses comparative advertising, which makes an explicit comparison of the attributes of two or more brands and tries to reveal its brands superiority vis-a-vis competing brands.
- *Reminder advertising* is important with mature products. A related form of advertising is *reinforcement advertising*, which seeks to assure current purchasers that they have made the right choice. Automobile ads often depict satisfied customers enjoying special features of their new car.

The advertising objective should emerge from a thorough analysis of the current marketing situation. If the product class is mature, the company is the market leader, and brand usage is low, the proper objective should be to stimulate more usage. If the product class is new, the company is not the market leader, but the brand is superior to the leader, then the proper objective is to convince the market of the brand's superiority.

(b) Advertising Message

Advertisers go through four steps to develop a creative message: message generation, message evaluation and selection, message execution, and social responsibility review.

Message Generation: Consumers are not interested in products; they are interested in solutions to their problems. So the 'solution' or the benefit has to be the pivot of the message. The product's "benefit" message should be decided as part of developing the product concept. Yet there is usually latitude for a number of possible messages. Over the time, the marketer might want to change the message, especially if consumers seek new or different benefits from the product.

Creative people use several methods to generate possible advertising appeals. Many creative people proceed inductively by talking to consumers, dealers, experts, and competitors. Some creative people use a deductive framework for generating advertising messages. Maloney saw buyers as expecting one of four types of reward from a product: rational, sensory, social, or ego satisfaction. Buyers might visualize these rewards from results-of-use experience, product-in-use experience, or incidental-to-use experience. Crossing the four types of rewards with the three types of experience generates twelve types of advertising messages. For example, the appeal "gets clothes cleaner" is a rational-reward promise following results-of-use experience.

Message evaluation and selection: A good advertisement normally focuses on one core selling proposition. Twedt suggested that messages be rated on *desirability, exclusiveness,* and *believability.*

- Desirability: the message must first say something desirable or interesting (which is valuable to the customer) about the product.
- Exclusiveness: the message must say something exclusive that does not apply to every brand in the product category.
- Believability: the message must be believable or provable; at stake here is the credibility of the message sender. The advertiser should conduct market research to determine which appeal works best with its target audience.

Message execution: The message's impact depends not only upon 'what' is said but also on 'how' it is said. Some ads aim for rational positioning and others for emotional positioning. In preparing an ad campaign, the advertiser usually prepares a copy strategy statement describing the objective, content, support, and tone of the desired ad. Creative people must also find a cohesive style, tone, words, and format for executing the message. The communicator must choose an appropriate tone for the ad. Memorable and attention-getting words must be found.

Creativity is especially required for headlines. There are six basic types of headlines: news ("New Boom and More inflation Ahead ... and What You Can Do About It"); *question* ("Have you Had It Lately?"); narrative ("They Laughed When I Sat Down at the Piano, but Then I Started to Play!"); command ("Don't Buy Until You Try All Three"); 1-2-3 ways ("12 Ways to Save on Your Income Tax"); and how-what-why ("Why They Can't Stop Buying").

Format elements such as ad size, colour, and illustration will affect an ad's impact as well as its cost. A minor rearrangement of mechanical elements can improve attention-getting power. Larger-size ads gain more attention, though not necessarily by as much as their difference in cost. Four-colour illustrations increase ad effectiveness and ad cost. By planning the relative dominance of different elements, better- delivery can be achieved. New electronic eye movement studies show that consumers can be led through an ad by strategic placement of dominant elements.

A number of researchers into print advertisements report that the picture, headline, and copy are important, in that order. The reader first notices the picture, and it must be strong enough to draw attention. Then the headline must propel the person to read the copy. The copy itself must be well composed.

Social responsibility Review: Advertisers and their agencies must ensure that their advertising message doesn't overstep social and legal norms. Most marketers work hard to communicate openly and honestly with consumers. Still, abuses occur, and public policy makers have developed a substantial body of laws and regulations to govern advertising. Companies must avoid false or deceptive advertising. Advertisers must not make false claims, such as stating that a product cures something when it does not. It is illegal in India to create ads that deceive, even though no one may actually be deceived. To be socially responsible, advertisers must be careful not to offend ethnic groups, racial minorities, or special-interest groups.

(c) Media Planning

Having defined the target, message content and the expected response, the advertiser must choose the best combination of media support that will allow it to achieve the desired number of exposures to the target within the limits imposed by the advertising budget. Table 1 shows the definition of the important terms used in the field of media planning. Different strategies of how: to use the media can be envisaged.

TABLE 1: DEFINITION OF THE PARAMETERS USED IN MEDIA PLANNING

Target	The specific group of prospects to be reached.
Circulation	The number of physical units through which advertising is distributed.
Audience	The number of people who are exposed to a particular vehicle.
Effective audience	The number of people with the target's characteristics who are exposed to the vehicle.
Exposure	The 'opportunity to see' (OTS) or opportunity to hear (OTH) the message, which does not imply that the person actually sees or hears the advertisement.
Reach	The number of different persons or households exposed to a particular medium vehicle at least once during a specified period of time.
Frequency	The number of times within a specified period of time that a prospect is exposed to the message.
Gross rating point (GRP)	Equal to reach multiplied by frequency and measures the total number of exposures (weight).
Impact	The qualitative value of an exposure through a given medium.

The first alternative opposes the two objectives of (reach' and 'frequency': adopting an extensive campaign with a view to reaching the greatest number of people through maximum reach, or, on the contrary, adopting an intensive campaign to reach, as emphatically as possible, a restricted target through maximum frequency or repetition.

Generally, a higher degree of reach is necessary when launching a new product or starting an ambitious programme of promotion. On the other hand, a higher degree of frequency is required when the message is complex, the product frequently bought and brand loyalty low. However, too much repetition is useless, as it may cause irritation or boredom.

The second strategic option is between 'continuity' as opposed to 'intermittence' in advertising: seeking continuity of advertising efforts over time to overcome the forgetting rate, stimulate repeated purchases, oppose rivals' efforts etc., or, on the contrary, seeking intermittence (pulsing) so as to optimize consumer learning or reinforcement, or to 'stretch budgets' to coincide with consumption patterns.

The problem is to decide how to schedule advertising, but there is no clear answer to it. It is important to take into account the nature of the product, its purchase frequency, seasonality in sales, rivals' strategies and the distribution of memory overtime. The fact that the life of a message is a function of its communication quality renders the problem even more complicated.

Finally, the third strategic choice is between media 'concentration' or media 'diversification' seeking diversification in various types of media so as to enjoy complementarities between them, obtain a better net reach, a better geographical allocation etc., or, on the contrary, concentration on a single medium, so as to dominate the medium best suited to the target, to personalize the campaign and the product and to benefit from economies of scale and discounts.

All depends on the adopted segmentation strategy. Diversification is desirable if the firm follows undifferentiated marketing; if, on the contrary, it follows a market niche strategy, then it is probably more effective to concentrate on a single medium.

Criteria for Media Selection: Media selection is guided by quantitative and qualitative criteria which are listed below. Among quantitative criteria, the following are important:

- Compatibility of message with medium: The execution of message may call for or prohibit use of a specific medium. e.g. an auto manufacturer having strong acceleration would have to go in for TV advertising.
- Target audience media habits, i.e. the proportion of the target group that can be reached through the medium.
- The stability of the reach over time, for instance from one week to another or from one season to another.
- The possibility of having frequent exposure to the message.
- The medium selectivity in terms of socio-demographic or life style profiles.
- The cost per thousand persons reached, which is a function of the vehicle audience and of the medium cost.

Qualitative criteria of media selection must complement the quantitative ones. The following can be noted in particular:

- Audience attention probability, which is, for instance, very high for cinemas and very low for outdoor advertising.

- The duration of the message's life, i.e. the period during which the message can be perceived.
- The editorial quality of the vehicle, i.e. its prestige and credibility.
- The technical quality of the medium, for instance, the use of colour, the quality of sound or of images etc.
- The degree of advertising saturation of the vehicle and the presence of competitive advertising.

The final choice is concretized in a media plan describing budget allocation between the different media. Once one has chosen the media, the next decision is to select the specific vehicles to advertise within the media. Although the choices are complex and numerous, a number of paid research services in media and vehicles selection provide data to help the decision-maker. The latter choice is now increasingly made using computer models of vehicle selection.

(d) Advertising Budget Decisions

Conceptually, advertising budget decisions can be analyzed using marginal rules of economic theory. Expenditure on each method of communication is increased until any further increase reduces profits. Similarly, the allocation of total budget between different methods is such that each instrument is used to the level where all marginal revenues are equal.

(I) Cost-oriented advertising budgets: The cost-oriented budgets are calculated on the basis of cost considerations, without explicitly taking demand considerations into account. There are three types of cost-oriented budget: affordable, break-even and percentage of sales budgeting methods.

(i) Affordable budget: The budget is directly linked to the short-term financial possibilities of the company. Advertising will be appropriated after all other unavoidable investments and expenses have been allocated. As soon as things go badly, this budget can be eliminated, and if cash is abundant then it can be spent. The fiscal system also encourages this type of practice, since increased advertising expenditure reduces taxable profit. This is not a method as such, but rather a state of mind reflecting an absence of definite advertising objectives.

(ii) Break-even Budget: The break-even budget method is based on the analysis of advertising's profitability threshold. The absolute increase in unit sales and in turnover necessary to recoup the incremental increase in advertising expenditures

For instance, if the gross profit margin is Rs. 60, or 30 per cent of the unit price, the absolute increase in unit sales to recoup a Rs. 1.5 million advertising budget will be

15,00,000/60 = 25000 units

and the break-even turnover

15,00,000/0.30 = Rs. 50,00,000

(iii) The percentage of sales budget: The percentage of sales budget method is used frequently and" treats advertising as a cost. In its simplest form the method is based on a fixed percentage of the previous year's sales. One advantage of this procedure is that expenditures are directly related to funds available. Another advantage is its relative simplicity.

Although this method is quite popular, it can easily be criticized as it inverts the direction of causality between advertising and sales. Relating advertising appropriation of anticipated sales makes more sense, because it recognizes that advertising precedes rather than follows sales. Moreover, this approach can lead to absurd situations: reducing the advertising budget when a downturn in sales is predicted, and increasing it when turnover is growing, with the risk of overshooting the saturation threshold.

In practices, however, it seems that this method is mainly used by managements with the objective of controlling total advertising expenditure at the consolidated level of turnover, in order to keep an eye on total marketing expenditures or to compare with competitors. More refined methods are used when deciding on advertising at the brand level.

Cost-oriented advertising budgets are only the first stage of the process of determining the advertising budget. They enable the firm to define the problem in terms of financial resources, production capacity and profitability. As for the determination of prices, these methods must be completed with an analysis of market attitudinal and behavioural responses.

(II) Communication-oriented advertising budgets: This approach, also called the 'task and objective' method, is the one most widely used. It emphasizes communication objectives and the means necessary to reach them. Two methods can~ adopted: one based on 'contact', defined in terms of reach and frequency, and one based on 'perception'.

(i) Task and objective budgeting: The method starts either with an objective of reach and frequency for which a budget is calculated, or with a budget constraint for which

the best combination of reach and frequency is sought to maximize total exposure. By trying to maximize exposure, this approach places the emphasis on the first level of advertising effectiveness, i.e. communication effectiveness, while clearly linking the communication objectives to costs.

(ii) Perceptual impact budgeting: Perceptual impact budgeting is based on psycho-sociological communication objectives. To achieve these objectives, conditions are defined in terms of the means used (media, reach, repetitions, perceptions etc.). Next, the cost of the various activities is calculated and the total determines the necessary budget. What is sought here is an impact on one of the three components of attitude (cognitive, affective or behavioural).

This method is very demanding, but it has the advantage of requiring management and advertising people to spell out their assumptions about the relationships between money spent, exposure, perceptions, trial and repeat purchase.

Communication-oriented advertising budgets constitute the second stage of the process of determining the advertising budget. They are in fact an initial way of explicitly taking into account market response. Because it is mainly based on intermediary objectives of communication, the advantage of the method is the emphasis it places on results directly attributable to advertising, and the fact that it allows the advertiser to control the advertising agency's effectiveness.

The limitations of these methods are that there is no necessarily any link between achieving the intermediate communicational objective and the final goal of improving sales. One cannot therefore view measures of communicational effectiveness as substitutes for direct measures linking advertising to sale or market share.

(e) Measuring Advertising effectiveness

The marketing manager is deeply interested in knowing how far his advertising has succeeded in achieving its objectives. He needs to evaluate the effectiveness of advertising for three purposes: (i) To improve the effectiveness of advertising by making changes in advertising message, media, timing, etc. Such an evaluation provides him invaluable guidance in planning the optimum media mix. (ii) To convince management about the instrumentality of advertising in improving the firm's profitability so as to get the required level of budget appropriation for advertising. (iii) To determine the optimum level of advertising expenditure.

Measurement of advertising effectiveness has turned out to be an extremely complex and challenging task. Sales are the result of such a large number of variables including the product, price, distribution channels, advertising, personal selling, etc., that it is impossible to determine what proportion of it is due to effective advertising. However, marketing researchers have developed some tools for measuring the communication as well as sales effectiveness of advertising.

Measures used for measuring advertising effectiveness: A number of tests have been developed for measuring the communication effectiveness of advertising. It is generally assumed that there is a positive relationship between communication and sales effect of advertising but it is not known how strong is that relationship.

Recall tests: Recall tests of measuring advertising effectiveness are aimed at determining how many people saw or heard the advertisement and how many of them remember it. The respondents are shown some or all of the previously run advertisements, and they are asked what part of it they remembered and could they recall its sponsor. The assumption underlying this test is that larger the number of people who remember the advertisement, the larger the number of people who will buy the product. Recall tests are also called rectgniti9n, readership and viewership tests.

Response Tests: Both consumer and industrial product advertisements sometimes include a response coupon urging the reader to place order or seek more information. Television and radio commercials similarly urge the viewers/listeners to respond at the specified address or telephone number. Effectiveness of such advertisements is measured in terms of responses received.

Attitude and Opinion Tests: A number of tests have been devised for measuring the impact of advertising in modifying the attitude or opinion of potential customers. Axelord has listed the following tests of this nature.

The Lottery Measure: The respondents are asked which brand in the product class would they prefer to have if they were to win a lottery.

The Rating Scale: The respondents are given a rating scale for indicating the degree of their like or dislike for the advertiser's brand.

The Predisposition-to-Buy Scale: The respondents are asked to indicate their brand preference by choosing one of the statements provided to them. These statements read something like this: I will surely buy X brand; I will never buy X brand.

The Constant Sum Scale: The respondents are given a list including the advertiser's brand and its competing brands. There is a pocket beside each brand name. Respondents are asked to distribute cards in these pockets to indicate the likelihood of their purchase of the brand concerned. A respondent may put several or no cards in front of any brand.

Paired Comparison: The respondents are given advertiser's brand along with its two competitive brands at a time. They have to indicate their preferred brand from each pair until they arrive at their most preferred brand.

Forced Switching: This method is similar to lottery method with the only difference that the respondents are asked to indicate that if they win the lottery, what brand except their regular brand, they would prefer to receive as a gift.

Advertising Recall: The respondents are asked to recall what advertisements they have read, seen, or heard during the past three months.

First and Second Choice: The respondents are asked to indicate the brand they would buy if they were to go shopping immediately. Then they are asked that if their preferred brand was not available, what other brand they would buy.

Awareness: The respondents are asked to tell the brands of the advertiser's product class.

Buying Game: The respondents are given a number of cards with each card describing a unique shopping situation they might possibly encounter if they went out shopping. They are asked to indicate the brand they would buy in each of these situations.

Measurement or Sales Effectiveness of Advertising: Advertising effectiveness measures discussed above focus on its communication effectiveness, and not on sales effectiveness. But these two are not the same thing. It is possible that an advertisement may succeed in creating brand awareness and recognition, yet fail to stimulate sales. It is extremely difficult to measure the sales effectiveness of advertising as sales are caused by a number of variables which cannot be separated for analysis and research. However, two approaches are often used to measure the sales generation effect of advertising. In the historical approach, the researcher tries to find the relationship between the past sales data and advertising expenditure during the corresponding period. Experimental approach involves field testing. A company may vary its advertising expenditure, media or message in two or three different geographical regions, and then study the relationship between sales and advertising variable under investigation. This is, however, a crude measure as the regions selected for study may differ in sales potential, competitors' marketing strategy, etc. But in the absence of more sophisticated tools of research, it may be used as a possible guideline in the formulation of advertising strategy.

4.6 SALES PROMOTION, PERSONAL SELLING AND PUBLICITY

4.6.1 MEANING AND DEFINITIONS

Modem marketing calls for more than developing a good product, pricing it attractively, and making it available to target customers. It requires promotion of goods and services in order to succeed in the market place. Promotion is the element in an organisation's marketing mix that serves to inform, persuade, and remind the market of a product and/or the organisation selling it, in the hope of influencing the recipients' feelings, beliefs, or behaviour.

What is communicated, however, should not be left to chance. To communicate effectively, companies hire advertising agencies to develop effective advertisements; sales-promotion specialists to design buying-incentive programs; direct marketing specialists to build databases and interact with customers and prospects by mail and telephone; and public relations firms to do product publicity and develop the corporate image. They train their salespeople to be friendly and knowledgeable. For most companies, the question is not whether to communicate but rather what to communicate, how to say, to whom, and how often.

Promotion is a term taken from a Latin word 'Promovere', which means moving from one end to another. In marketing, promotion means all those tools that a marketer uses to make his product known to the customers and hence, involves advertising, sales promotion, personal selling, and publicity etc. The marketing promotion mix (also called the promotion mix) consisting of five major tools are as follows:

(i) Advertising: Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

(ii) Direct Marketing: Use of mail, telephone, net, and other non-personal contact tools to communicate with customers and prospects so as to solicit a specific response.

(iii) Sales promotion: Short-term incentives to encourage trial or purchase of a product or service.

(iv) Public Relations and Publicity: A variety of programmes designed to promote and/ or protect a company's image or its individual products.

(v) Personal Selling: Face-to-face interaction with one or more prospective purchasers for the purpose of making sales.

TABLE 2: COMMON COMMUNICATION/PROMOTION TOOLS

Advertising	Sales promotion	Public relations	Personal selling	Direct marketing
• Print & broadcast • Outer packaging • Packaging insertions • Motion pictures • Brochures booklets • Posters & leaflets • Director-es • Billboards • Display signs • Point of purchase displays • Symbols & logos	•Contests, games lotteries •Premiums & gifts •Samples •Exhibits •Demonstrations •Coupons •Rebates •Tie-ins •Low interest financing •Trade-in allowance	• Press kits • Speeches • Seminars • Annual reports • Donations • Sponsorships • Publications • Lobbying • Events • Company magazines	• Sales presentations • Sales meetings • Incentive programs • Samples • Fairs & trade shows	• Catalogue • Mailings • Telemarketing • Electronic shopping • TV shopping

Table 2 lists numerous specific tools that fall within these categories. Communication, however, goes beyond these specific promotion tools. The product's styling, its price, the package's shape and colour, the salesperson's manner and dress, the place of business, the company's stationery– all communicate something to the buyers. The whole marketing mix, not just the promotional mix, must be orchestrated for maximum communication impact.

4.7 NATURE OF EACH PROMOTIONAL TOOL

Each promotional tool has its own unique characteristics and costs. Marketers have to understand these characteristics in order to utilise these effectively.

(a) Advertising: As there are many forms and uses of advertising, it is difficult to make all embracing generalizations about its distinctive qualities as a component of the promotional mix. Yet the following qualities can be noticed:

Public Presentation: Advertising is a highly public mode of communication. Its public nature confers a kind of legitimacy on the product and also suggests a standardized offering. Because many persons receive the same message, buyers know that their motives for purchasing the product will be publicly understood.

Pervasiveness: Advertising is so pervasive that you can communicate with any group of target customers across the globe. No nook and comer of the world go untouched by advertising.

Repeatability: The advertising massage can be repeated and, in fact, are repeated so that every prospective customer is exposed to advertisement. Moreover a single exposure is not enough to create the desired impact. *Amplified Expressiveness*: Advertising provides opportunities for dramatizing the company and its products through the artful use of print, sound, and colour. Sometimes, however, the tool's very success at expressiveness may dilute or distract from the message.

Impersonality: Advertising can not be as compelling as company sales representatives. The audience does not feel obligated to pay attention or respond. Advertising is able to carry on only a monologue, not a dialogue, with the audience.

Advertising can be used to build up a long-term image for a product and on the· other hand it is used to trigger quick sales. Advertising is an efficient way to reach numerous geographically dispersed buyers at a low cost per exposure.

(b) Sales Promotion: Although sales promotion tools- coupons, contests, premiums, and the like- are highly diverse, they have three distinctive characters:

Communications: They gain attention and usually provide information that may lead the consumer to the product.

Incentive: They incorporate some concession, inducement, or contribution that gives value to the consumer.

Invitation: They include a distinct invitation to engage in the transaction now.

Companies use sales-promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales. Sales-promotion effects are usually short run and not effective in building long-run brand preference.

(c) Direct Marketing: Although direct marketing has several forms- direct mail, telemarketing, electronic marketing, and so on- it has a few distinctive characteristics:

Non-public: The message is normally addressed to a specific person and does not reach others.

Customized: The message can be customized to appeal to the addressed individual.

Up-to-date: A message can be prepared very quickly for delivery to an individual.

(d) Public Relations and Publicity: The appeal of public relations and publicity is based on its three distinctive qualities:

High credibility: News stories and lectures seem more authentic and credible to audience than ads do as they perceive the information from an impartial source rather than from brand sponsor.

Off guard: Publicity can reach many prospects who might avoid salespeople and' advertisements. The message gets to the buyers as news item or article rather than as a sales-directed communication.

Dramatization: Public relations has, like advertising, a potential for dramatizing a company or product.

Marketers tend to under-use public relations or use it as an afterthought. Yet, a well thought out public relations programme integrated with the other promotion-mix elements can be extremely effective. In China, where there is limited advertising space, exorbitant rates, and tight government control on ad content, companies are increasingly turning to public relations, particularly sponsorship, to create brand awareness.

(e) Personal Selling: Personal selling is the most cost-effective tool at the later stages of the buying process, particularly in translating buyers' preference and conviction into action. The reason is that personal selling, when compared with advertising, has three distinctive qualities:

Personal Confrontation: Personal selling involves an alive, immediate, and interactive relationship between two or more persons. Each party is able to observe each other's needs and characteristics closely and make immediate adjustments.

Cultivation: Personal selling permits all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. Effective sales representatives will normally keep their customers' interests at heart if they want long-term relationship.

Response: Personal selling makes the buyer feel under some obligation for having listened to the sales talk. The buyer has a greater need to attend and respond, even if the response is a polite 'thank you.'

These distinctive qualities come at a cost. A sales-force represents a greater long-term cost commitment than advertising. Advertising can be turned on and off, but the size of a sales-force is more difficult to alter.

4.8 PERSONAL SELLING

Personal selling can make a strong contribution in consumer goods marketing. Some consumer marketers play down the role of the sales-force, using them mainly to collect weekly orders from dealers and to see that sufficient stock is on the shelf. The common feeling is that "salespeople put products on shelves and advertising takes them off." Although personal selling is useful for almost every product or service, it is particularly important when:

- The market is concentrated either geographically or in a few industries, or in a few large customers.
- The product has a high unit value, is quite technical in nature, or requires a demonstration.
- The product requires to be customised for each individual customer, as in the case of securities or insurance.
- The product is in the introductory stage of its life cycle.
- The organization does not have enough money for an adequate advertising campaign.
- Personal Selling can usually be focused or pinpointed on prospective customers, thus, minimising wasted effort.
- The goal of personal selling is to actually make a sale. Other forms of promotion are designed to move a prospect closer to a sale.

4.8.1 Hurdles for personal selling

Although personal selling is very essential for any company but there are certain limitations like:

- A high cost involvement is a major limitation even though personal selling can minimise wasted effort, the cost of developing and operating a sales force is high.
- The company is often unable to attract the quality of people needed to do the job. At the retail level, many firms have abandoned their sales forces and shifted to self-service selling for this very reason.

4.8.2 Types of personal selling

There are two major kinds of Personal Selling:

1. Across the counter selling.

2. Outside sales force.

Across the counter selling is one where the customers come to the sales people. It primarily involves retail-store selling. In this kind of selling, those sales people are also included who are with catalogue retailers who take telephone orders. The other kind of personal selling is where sales people go to the customers. These people sell in person at a customer's place of business or home.

4.8.3 Types of sales jobs

The types of selling jobs and the activities involved in them cover a wide range. People who sell are, called by various names: salesmen, sales representatives, salespersons, account executives, sales consultants, sales engineers, field representatives, agents, and marketing representatives. Given below is the classification of sales jobs by Robert Mcmurry:

(a) Driver sales person (Deliverer)- In this, the sales person primarily delivers the product. For example, soft drinks, bread and milk salesman who deliver the respective products to retailers and/or other customers. In these types of jobs selling responsibilities are secondary. Few of these salesmen originate sales.

(b) Inside order taker- This is a position in which the sales person takes orders at the seller's place of business. Most of the sales persons visit grocery shops and general stores to take orders for various items.

(c) Outside order taker- In this position the sales person goes to the customer in the field and accepts an order. Most of the sales person who takes orders by visiting various colonies and residential localities fall in this type of category.

(d) Missionary sales person- This type of sales job is extended to build goodwill, perform promotional activities, and provide information and other services for the customers. This sales person is not expected to solicit an order. Medical representatives calling on doctors fall in this category.

(e) Sales engineer (Technician)- In this position the major emphasis is on the sales person's ability to explain the product to a prospective customer, and also to adapt the product to the customer's particular needs. The products involved here typically

are complex, technically sophisticated items. A sales engineer usually provides technical support, and works with another sales representative who cans regularly on a given account.

(f) Creative sales person- an order getter- This involves the creative selling of goods and intangibles- primarily services, but also social causes and ideas (do not use drugs, stop smoking, obeys speed limits). This category contains the most complex, difficult and hence most challenging sales jobs-especially the creative selling of intangibles, because you can not see, touch, taste, or smell, then customers often are not aware of their need for a seller's product or they may not realise how that product can satisfy their wants better than the product they are now using- creative selling often involves designing a system to fit the needs of a particular customer.

4.8.4 The personal selling process

The basic philosophy underlying the approach to personal selling should be an extension of the marketing concept. This implies that, for long-term survival it is in the best interest of the sales person and his/her company to identify customer needs and aid customer decision-making by selecting from the product range those products which best fit the customer's requirements.

Many persons have developed models for personal selling. Some say that it is nothing but SPANCO (finding SUSPECTS, reaching PROSPECTS, APPROACH, NEGOTIATION, CLOSE, AND ORDER TAKING) other say that it is SPIN (SUSPECT, PROSPECT, INTERVIEW, and NEGOTIATION). However, in order to develop personal selling skills we will distinguish six phases of the selling process. These phases are not watertight compartments and may not occur in the given order. Objections may be raised during presentation or during negotiation, or a trial close may be attempted at any point during the presentation if buyer interest is high. Furthermore, negotiation mayor may not take place and may occur during any of the stages.

(a) The Opening- Initial impressions can cloud later perceptions, and so it is important to consider the ways in which a favourable initial response can be achieved. There is a saying that 'first impression is the last impression' you get. Buyers expect sales people to be business-like in their personal appearance and behaviour. Untidy hair and a sloppy manner of dress can create a lack of confidence picture. Further the sales person who do not respect the fact that the buyer is likely to be a busy person, may cause irritation on the part of the buyer.

Sales people should open the sales call with a smile, a handshake and, in situations where they are not known to the buyer, introduce themselves and the company they represent. Common courtesies should be followed. Opening remarks are important since they set the tone for the rest of the sales interview. This can generate close rapport with the buyer, but the sales person must be aware of the reason for being there, am not be excessively diverted from talking business.

(b) Need and problem identification- Most salespeople have a range of pro ducts to sell. A car salesman has many models ranging from small economy cars to super luxury top-of-the range models. The computer salesperson will have a number of systems to suit the needs and sources of different customers. In each case, the seller's first objective should be to discover the problems and needs of the customer.

Before a car salesperson can sell a car, he needs to understand the customer's circumstances. What size of car is required? Is the customer looking for high fuel economy or performance? What kind of price range being considered? Having obtained this information the salesperson is in a position to sell the model which best suits the needs of the buyer.

(c) The presentation and demonstration- Once the problems and needs of the buyer have been identified, the presentation follows as a natural consequence. A given product may have a range of potential features that confers benefits to customers, but different customers· place different priorities on them. Having identified the needs and problems of the buyer, the presentation provides the opportunity for the salesperson to convince the buyer that he/she can supply the solution.

There is a Chinese proverb- "Tell me and I'll forget; show me and I may remember; involve me and I shall understand." This proverb is very important in a sales call. Demonstrations reduce risk because they prove the benefits of the product. Car salespeople allow customers to test drive cars. For all but the most simple of products it is advisable to divide the demonstration into two stages. The first stage involves a brief description of the features and benefits of the product and an explanation of how it works. The second stage entails the actual demonstration itself.

There are several advantages of demonstrations. They add realism to the sales routine in that they utilize more human senses than mere verbal descriptions or visual presentation. When a potential customer is participating in a demonstration it is easier for the salesperson to ask questions in order to ascertain buying behaviour. Customer objections can be more easily overcome if they can be persuaded to take part in the demonstration process. There are advantages to customers in that it is easier for them to ask questions in a more reliable way in order to ascertain the product's utility more clearly and quickly. Purchasing inhibitions are quickly overcome arid buyers; declare their purchasing interest sooner than in face-to-face selling/ buying situations. Once a customer has participated in a demonstration there is less likelihood of 'customer remorse' (i.e. the doubt that value for money is not good value after all).

(d) Dealing with objections- Objections should not always be viewed with dismay by salespeople. Many objections are simply expressions of interest by the buyer when the buyer is asking for further information because he or she is interested in what the Salesperson is saying. The problem is that the-buyer is not yet convinced. Objections highlight the issues which are important to the buyer. The effective approach for dealing with objections involves two areas: tile preparation of convincing answer, and the development of a range of techniques for answering objection in a manner which permits the acceptance of these answers without loss of face on the part of the buyer.

(e) Negotiation- In some selling situations, the salesperson or sales team have a degree of discretion with regard to terms of the sale. Negotiation may, therefore, enter into the sales process. Sellers may negotiate price, credit terms, delivery times, trade-in values and other aspects of the commercial transaction. The deal that is arrived at, will be dependent upon the balance of power and the negotiating skills of the respective parties. The buyer's needs, the competition that the- supplier faces, knowledge about the buyer's business, and the pressures upon him/her should be estimated.

(f) Closing the sales- The skills and techniques discussed so far are not in themselves sufficient for consistent sales success. A final ingredient necessary to complete the process is the ability to close the sale. A major consideration at the closing is the timing. A general rule is to attempt to close the sale when the buyer displays heightened interest or a clear intention to purchase the product. Salespeople should look out for such buying signals and respond accordingly. Purchase intentions are unlikely to grow continuously throughout the sales presentation, they are more likely to rise and fall as the presentation progresses. The salesperson should attempt to close at a peak and which peak is to be chosen comes with experience.

(g) Follow-up- This final stage in the sales process is necessary to ensure that the customer is satisfied with the purchase and that no problem with such factors as delivery, installation, product use and training has arisen. Salespeople may put-off the follow up call because it does not result in an immediate order. However, for most

companies repeat business is the hallmark of success and follow-up call can playa major role in showing that a salesperson really cares about the customer rather than only being interested in making sales. The follow-up call can also be used to provide reassurance that the purchase was right one.

4.8.5 Changing patterns in personal selling

Traditionally, personal selling has been a face-to-face, one-to-one situation between a sales person and a buyer. This situation existed both in retail sales involving ultimate consumers and also in business-to-business transactions. In recent years, however, many different selling patterns have emerged. These new patterns reflect a growing purchasing expertise among consumers and business buyers, which, in turn, has fostered a growing professionalism in personal selling. Let's discuss four of these emerging patterns:

(a) Selling centres-Team Selling- To match the expertise on the buying side, especially in business markets, a growing number of firms on the selling side have adopted the organizational concept of a selling centre. This is sometimes called a sales team or team selling. A selling centre is a group of people representing a sales department as well as other' functional areas in a firm such as finance, production, and researcha.'1ddevelopment (R&D). Procter & Gambler, for example, has selling teams comprised of sales people plus representatives from finance, distribution, and manufacturing. Each team is assigned to cover large retailers.

When AT&T sells to a large multinational firm such as Nestle's, then AT&T sends a separate selling team to deal with each of Nestle's major divisions. Team selling is expensive and is used only when there is a potential for high sales volume and profit.

(b) Systems Selling- The concept of system selling means selling a total package of related goods and services- a system-to solve a customer's problem. The idea is that the system- the total package of goods and services- will satisfy the buyer's needs more effectively than selling individual products separately. Xerox, for example, originally sold individual products, using a separate sales force for each major product line. Today using a systems-selling approach, Xerox studies at customer's office information and operating problems then Xerox provides a total automated system of machines and accompanying services to solve that customer's office problems.

(c) Relationship Selling- Cultivating a mutually beneficial relationship with selected customers over time is relationship selling. It may bean extension of team selling, or it may be developed by individual sales representatives in their dealings with customers.

In relationship selling, a seller discontinues the usual territorial practice of covering many accounts. Instead seller attempts to develop a deeper, longer-lasting relationship built on trust with key customers- usually influential customers, opinion-makers, and larger accounts. Unfortunately, often there is not much trust found in buyer-seller relationships, neither in retailer- consumer selling nor in business-to-business selling.

Many large companies- Procter & Gamble, Hyatt Hotels, RJR Nabisco, Kraft General Goods, and ABB (Asea Brown Boveri, a Swiss-based manufacturer of industrial equipment), to name just few- are realigning their sales forces to engage in relationship selling.

4.9 SALES PROMOTION

Sales Promotion is an activity or material (or both) that acts as a direct inducement and offers added value to or incentive to buy the product to resellers, sales persons or consumers. It consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular product or services by consumers or traders.

Sales promotion has grown dramatically in the last ten years, largely because of focus of business on short term profits. A decade ago, the advertising-to-sales-promotion ratio was about 60:40. Today, in many consumer-packaged-goods companies, sales promotion accounts for 65% to 75% of the combined budget. Sales promotion expenditure has been increasing as a percentage of budget expenditure annually for the last two decades and the fast growth is expected to continue. Several factors have contributed to the rapid growth of sales promotion, particularly in consumer markets.

Internal factors include the following:

- Promotion is now more accepted by top management as an effective sales tool;
- Product managers are under greater pressure to increase their current sales.

External factors include the following:

- The number of brands have increased;
- Competitors use promotions frequently;
- Many brands are seen as similar;
- Consumers are more price-oriented;
- Advertising efficiency has declined because of rising costs, media clutter, and legal restraints.

Sales promotion is a key ingredient in marketing campaigns and includes tools for:

(a) Consumer Promotion: These are aimed at consumers and include Samples, Coupons, Cash-refund-offers, Premiums, Prizes, Rewards, Free trials, Warranties/Guarantees, Tie-in-promotions, Point-of-purchase displays and demonstrations.

(b) Trade Promotion: These are aimed at distribution channel members and include Price offs, Advertising and Display allowances, and Free goods.

(c) Business and Sales force Promotion: (Trade shows, Conventions, Contests for sales reps, and Speciality Advertising).

4.9.1 Objectives of Sales Promotion

Sales promotion objectives are derived from broader promotion objectives, which are derived from more basic marketing objectives. The specific objective set for sales promotion varies with the target market.

In relation to *consumers*, objectives of sales promotion include:

- Encouraging purchase of large size units.
- Building trial among non-users.
- Attracting switchers away from competitors' brands.

In relation to *retailers*, objectives include:

- Persuading retailers to carry new items and higher levels of inventory,
- Encouraging off-season buying,
- Encouraging stocking of related items,
- Off-setting competitive promotions,
- Building brand loyalty and gaining entry into new retail outlets.

In relation to the *sales force*, objectives include:

- Encouraging support of a new product or model,
- Encouraging more prospecting, and
- Stimulating off-season sales.

4.10 MAJOR CONSUMER PROMOTION TOOLS

(a) SAMPLES: Offer of a free amount of a product or service. These might be delivered door to door or found attached to another product or featured in an advertising offer. Sampling is the most effective and most expensive way to introduce a new product.

(b) COUPONS: Certificates entitling the bearer to a stated saving on the purchase of a specific product. These can be mailed or enclosed in other products or inserted in magazines and newspaper ads. Coupons can be effective in stimulating sales of a mature brand and inducing early trial of a new brand.

(c) CASH REFUND OFFERS: Provide a price reduction after the purchase rather than at the retail shop. The manufacturer refunds a "part of purchase price" by mail after receiving a "specified proof of purchase".

(d) PRICE PACKS: They can take the form of a reduced-price pack (such as two for the price of one) or banded pack, which is two related products banded together. Price-packs are very effective in short-term sales even more so than coupons.

(e) PREMIUMS: Merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. The package itself, if a reusable container, can serve as a premium.

(f) PRIZES: Offer a chance to win cash, trips or merchandise as a result of purchasing something. A contest calls for consumers to submit an entry, a jingle, estimate, suggestion to be judged by a panel of judges who will select the best entries.

(g) FREE TRIALS: Invite prospective purchasers to try the product without cost, in the hope that they will buy the product.

(h) PRODUCT WARRANTIES/GUARANTEES: Explicit or implicit promises by sellers that the product will perform as specified or that the seller will fix it or refund the customer's money during a specified period.

(i) TIE-IN-PROMOTIONS: Involves two or more companies or brands that team up on coupons, refunds and contests to increase their pulling power. The companies pool their funds with the hope of broader exposure and multiple sales-forces push these promotions to retailers.

(j) POINT-OF-PURCHASE DISPLAYS AND DEMONSTRATION: Take place at the point of purchase or sale.

4.10.1 Major Trade-promotion Tools

(a) PRICE-OFF: A straight discount off the list price on each case purchased during a stated time period. The offer encourages dealers to buy a quantity that they might not ordinarily buy. The dealers can use the buying allowance for immediate profit, advertising or price reductions.

(b) ALLOWANCE: An amount offered in return for the retailers agreeing to feature the manufacturer's product in some way. An advertising allowance compensates retailers for advertising the manufacturer's product. A display allowance compensates them for carrying a special product display.

(c) FREE GOODS: Offers of extra cases of merchandise to intermediaries who buy a certain quantity. Manufacturers might offer push money or free specialty advertising items to the retailers that carry the company's name, such as pens, pencils, calendars, paperweights, memo pads, and ashtrays.

4.10.2 Major Business-promotion tools

(a) TRADE SHOWS AND CONVENTIONS: Industry associations organize annual trade shows and conventions. Firms selling products and services to a particular industry buy space and set up booths and displays to demonstrate their products at the trade shows. The participating vendors expect several benefits, including several new sales leads, maintaining customers' contacts, introducing new products, educating customers with publications, motion pictures and audio-visual materials.

(b) SALES CONTESTS: It is a contest involving the sales force or dealers, aimed at inducing them to increase their sales over a stated period, with prizes going to those who succeed. The good performance may receive trips, cash prizes or gifts.

(c) SPECIALITY ADVERTISING: Specialty advertising consists of useful, low cost items given by salespeople to prospects and consumers without obligation and which bear the company's name and address and sometimes an advertising message. The item keeps the company's lame before the prospects and creates goodwill because of the items utility.

4.11 DEVELOPING THE SALES-PROMOTION PROGRAM

In this context, there are specific tasks like:

(i) The marketer has to determine the size of the incentive to offer. Ascertaining minimum incentive is necessary if the promotion is to succeed.

(ii) Conditions for participation have to be established. A premium might be offered only to those who turn in with the proof of purchase.

(iii) The marketer has to decide the duration of promotion. If the sales promotion period is too short, many prospects will not be able to take advantage of it. If the promotion period is too long, the deal will lose some of its "act now" force.

(iv) The marketer must choose a distribution cycle. Each distribution method has a different level of reach, cost and impact.

(v) The timing of promotion must be established.

(vi) The marketer must determine the total sales promotion budget.

(vii) Although sales promotion program are designed on the basis of experience, pretests should be conducted to determine if the tools are appropriate; the incentive size is optimal; the presentation method is efficient.

4.12 IMPLEMENTING AND CONTROLLING THE PROGRAM

Implementation and control plans should be prepared for each individual promotion. Implementation planning must cover lead time sell in time. Lead time is the time necessary to prepare the program prior to launching it. Sell-in time begins with the launch and ends when approximately 95% of the deal merchandise is in the hands of consumers, which can take one to several months, depending on the deal duration. It covers initial planning, design and approval of package modifications or material to be mailed or distributed to the home, preparation of conjunctive advertising and point-of-sale material, notification of field personnel, establishment and allocations for individual distributors, purchasing and printing of special premiums and packages, production of advanced inventories and staging at distribution centres in preparation for release at a specific date, and finally, the distribution to the retailer.

4.13 EVALUATING THE SALES-PROMOTION PROGRAM

Evaluation is a crucial requirement. Manufactures can use four methods to measure sales promotion effectiveness:

(a) Sales Data: Examine the sales data before, during, and after a promotion. Sales promotion works best, in general, when they attract competitors' customers to try a superior product and as a result customers switch permanently.

(b) Consumer panel: Consumer Panel data would reveal the kind of people who responded to the promotion and what they did after the promotion.

(c) *Consumer surveys* can be conducted to gain more information, learn how many recall the promotion, what they thought of it, how many took advantage of it, and how the promotion affected their subsequent brand-choice behaviour.

(d) Experiments: Experiments evaluate· such attributes as: incentive value, duration, and distribution media.

Beyond these methods of evaluating the results of specific promotions, management must recognize other potential costs and problems:

- Promotions might decrease long-run brand loyalty by making more consumers deal prone rather than advertising prone.
- There are hidden costs of special productien runs, extra sales-force effort, and handling requirements.
- Certain promotions irritate retailers and they demand extra trade allowances or refuse to co-operate in the operation.

4.14 PUBLIC RELATIONS

Public relation (PR) is another important marketing tool. Not only must the company relate it constructively to its customers, suppliers and dealers, but it must also be related to a large set of interested publics.

PR department perform the following five activities, not all of which directly support marketing objectives:

(i) Press relations: The aim of press relations is to place newsworthy information into the news media to attract attention to a person, product, service, or organization.

(ii) Product publicity: Product publicity involves various efforts to publicize a specific product.

(iii) Corporate communication: This activity covers internal and external communications and promotes understanding of the organization.

(iv) Lobbying: It involves dealing with legislators and government officials to promote or defeat legislation and regulation.

(v) Counselling: Counselling involves advising management about public issues and company positions and image.

4.14.1 Marketing Public Relation as Publicity

The old name for Marketing Public Relations (MPR) was publicity, which was seen as the task of securing editorial- as opposed to paid space- in print and broadcast media to promote a product, place, or person. But MPR goes beyond simple publicity by contributing to the following tasks:

(a) Assist in the launch of new products.

(b) Assist in repositioning a mature product.

(c) Build up interest in a product category.

(d) Influence specific target groups.

(e) Defend products that have encountered public problems.

(f) Build the corporate image in a way that projects favourably on its products.

4.14.2 Objectives of Public Relations and Publicity

(a) Build awareness: PR can place stories in the media to bring attention to a product, service, person, organization or idea.

(b) Build credibility: PR can add credibility by communicating the message in an editorial context.

(c) Stimulate the sales-force and dealers: PR can help boost sales-force and dealer enthusiasm. Stories about a new product before it is launched will help the sales farce sell it to retailers and consumers.

(d) Hold down promotion costs: PR costs less than direct mail and media advertising. The smaller the company's promotion budget, the stronger is the case for using PR to gain share of mind.

4.14.3 Major tools of Public Relations and Publicity

(a) PUBLICATIONS: Companies rely extensively on communication materials to reach and influence target markets. These include annual reports, brochures, articles, audio-visual materials, and company newsletter and magazines. Company newsletters, and magazines can help build up the company's image and convey important news to target markets. Audio-visual material, such as films, slides, and video and audio cassettes are coming into increasing use as promotion tools. The cost of audio-visual material is usually greater than the cost of printed material, but so is the impact.

(b) EVENTS: Companies can draw attention to' new products or other company activities by arranging special events. These include news conferences, seminars, outings, exhibits, contests and competitions, anniversaries, and Sport and culture sponsorships that will reach the target publics.

(c) NEWS: One of the major tasks of PR professionals is to' find or create favourable news about the company, its products, and its people. News generation require skills in developing a story concept, researching it, and writing a press release. But the PR person's skill must go beyond news preparing stories. Getting the media to' accept press releases and press conferences calls for marketing and interpersonal skills. A good PR media director understands the press' needs far stories that are interesting and timely. The media director needs to build favourable relations with editors and reporters. The mare the press is cultivated, the mare likely it is to give more and better coverage of the company.

(d) SPEECHES: Speeches are another tool for creating product and company publicity. Increasingly, company executive must face questions from the media or give speeches at trade associations or sales meetings. These appearances can build the company's image.

(e) PUBLIC SERVICE ACTIVITIES: Companies can improve public goodwill by contributing money and time to good causes. A large company may typically ask executives to support community affairs where their offices are situated. In other instances, companies may donate a certain amount of money to specified cause out of consumer purchases.

(f) IDENTITY MEDIA: Normally, a company's materials acquire separate looks, which creates confusions and misses an opportunity to-create and reinforce a corporate identity. In an over-communicated society, companies have to compete for attention. They should strive to create a visual identity that the public immediately recognizes. The visual identity is carried by the companies' logos, stationary, brochures, signs, business forms, business cards, buildings, uniforms and dress codes, and rolling stock.

KEYWORDS

Advertising exposure: Advertising exposure of a particular communication contains two factors: cover/reach and frequency. Cover or reach, is the percentage of a particular target audience reached by a medium and the frequency is the number of times a particular target audience has an opportunity to see/hear a message.

Wearout: Advertising beyond a particular point may lead to a negative response i.e. wearout.

Advertising appeal: The central idea or theme of an advertising message.

Copy: The words contained in an advertisement.

Media selection strategy: Plan for determining which media are most appropriate for an advertising campaign.

DAGMAR: Defining advertising goals for measuring advertising results.

Selling: Knowing the art of sales— contacting, presenting, answering objections, and closing.

Cooperative advertising: Advertising which is done by a local intermediary especially at the time of opening up of a new outlet.

Public relations: It is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics.

Press releases: This is the most frequent tool of public relations which is done at the time of a new product launch, new appointments, or significant achievements.

Direct marketing: When a firm communicates directly with its customers without having to go through any retailer or wholesaler or any other intermediaries.

QUESTIONS

1. What are the different tools of promotion mix? Describe the factors affecting promotion mix decisions.
2. Explain the different types of advertisements.
3. Discuss the key stages of measuring advertising effectiveness.
4. Explain the different methods of making advertising budget decisions.
5. What do you understand by promotion mix? Discuss the advantages of promotion mix tools.
6. Write short notes on the following:

   (a) Sales Promotion (b) Personal selling
7. Discuss the various stages of personal selling process.
8. What is personal selling? Discuss the process and advantages of personal selling.

UNIT V

MARKETING OF SERVICES

5.1 DEFINITION FOR SERVICE

Service is an act or performance offered by one party to another that essentially intangible and does not normally result in ownership of anything. Its product may or may not be tied the physical product – **PHILIP KOTLER**

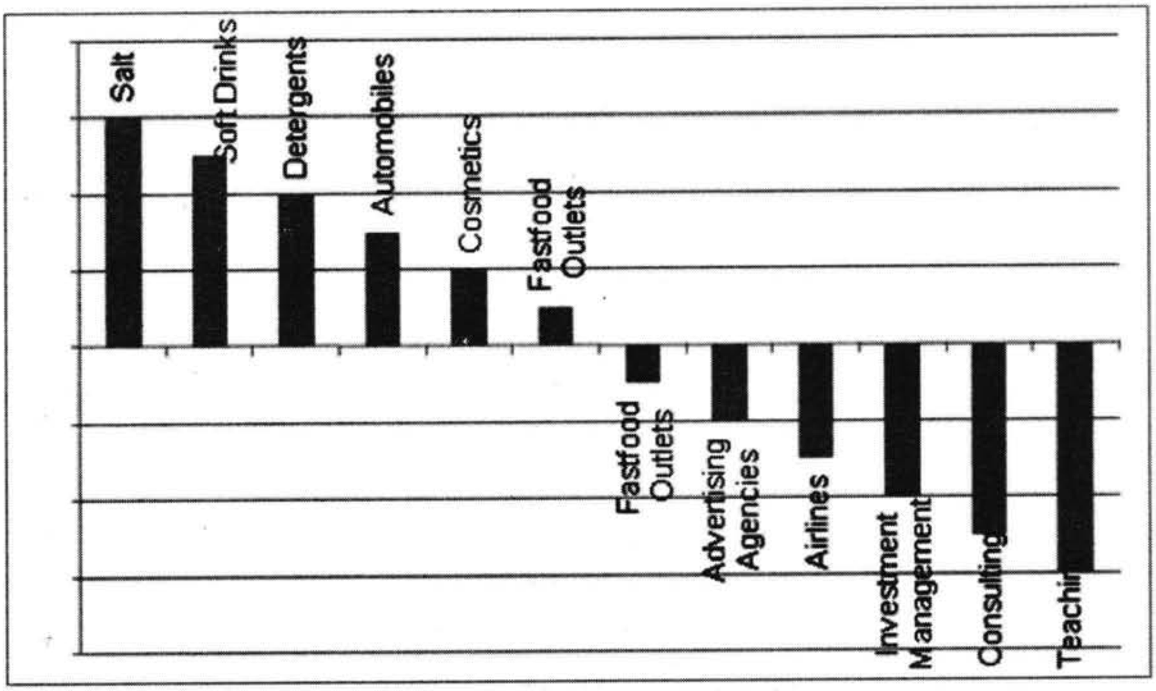
E.g.: transportation, electricity.

5.2 Difference Between Goods And Services:

S.NO.	GOODS	SERVICES	IMPLICATION
1.	Tangible	Intangible	Services cannot be inventoried It cannot be patent It cannot readily displayed
2.	Standardized	Heterogeneous	Service delivery customer satisfaction depends on employee action Service quality depends on uncontrollable factors
3.	Production and consumption are separate	Simultaneous production and consumption	Customers participate in and affect transaction Customer affect each other.
4.	Non-perishable	Perishable	It is different to synchronize supply and demand of services Service cannot be returned or resold.

5.3 SPECTRUM OF SERVICES

Tangibility Spectrum



5.4 CHARACTERISTICS OF SERVICE MARKETING:

1. INTANGIBLE: Services are performance or actions rather than objects. They cannot be seen, tasted or touched.

E.g. Surgery, Examination

2. HETROGENITY: Since services are performances produced by human

Beings, no two services will be alike. (it differs from hour to hour, day to day) customers are not same

E.g. Tax accountant may provide different service to two customers

3. SIMULTANEOUS PRODUCTION AND CONSUMPTION: Services are sold first and then produced and consumed simultaneously

E.g. In a restaurant the services are sold first and the dinner experience is produced and consumed at the same time

4. PERISHABILITY: Services referred to the fact that it cannot be saved,

Stored or returned

E.g. A seat in an airplane

5.5 NATURE OF SERVICE:

WHAT IS	PEOPLE	POSSESSION
Nature of service	People processing – directed at people's bodies	Possession processing – directed at physical possession
Tangible actions	• Beauty saloon • Physical therapy • Funeral services	• Freight transportation • Repair services • Laundry services
Intangible actions	Mental stimulus processing – directed at people's mind ★ Advertising ★ Broad casting ★ Mgt consultancy education	Information processing – directed at intangible assets ★ Accounting ★ Insurance ★ Security investments

5.6 SCOPE OF SERVICE MARKETING

A service business is one where the perceived value of the offering to the buyer is determined more by the service rendered than the product offered. In this way the nature and scope of services pose different challenges for managers in service businesses. Such businesses include those that provide an almost entirely intangible offering, such as legal services, health care and cleaning services and businesses that offer both services and products such as restaurants and retail outlets.

The definition and scope of the service concept is wide and can mean any or all the following:

Table 1.1: Scope of services

Service activities	Service as a concept
Customer service	A service organization
Service-based activities	As a core product
Added value activities	As an augmented product
	As product support
	As an act

(a). Service as an organization: It is the entire business or not-for-profit structure that resides within the service sector. For example, a restaurant, an insurance company a charity.

(b). Service as core product: The commercial outputs of a service organization such as a bank account, an insurance policy or a holiday.

(c). Service as product augmentation: any peripheral activity designed to enhance the delivery of a core product. For example, provision of a courtesy car, complimentary coffee at the hairdresser.

(d). Service as product support: Any product or customer-oriented activity that takes place after the point of delivery. For example, monitoring activities, a repair service, up-dating facilities.

(e). Service as an act that is service as a mode of behavior such as helping out and giving advice.

However from a market or consumer point of view the relative importance of different components of the service offering can range vastly from one customer to another. So a service must be considered from the point of view of many types of customers. For example, two people may pay the same amount for a service but may be paying for different aspects of the service. A business person may dine regularly in an expensive, upmarket restaurant because of the convenience to their place of work and the perceived status of entertaining guests there. Other customers of the same restaurant may eat there regularly because of the excellent food, modern dĕcor and menu choice.

The service sector includes a wide range of industries such as the hospitality industry, tourism industry, financial services, charities and public utilities. Some service sectors such as charities and the arts operate in non-profit-making operations, other services such as hospitality and financial services operate in competitive, profit making environments. Some example of larger international service companies include airlines, hotel chains, banking and telecommunicaitons. Smaller operators in the service sector include independent restaruatns, b2b services, taxi services. Therefore, we conclude that service sector is a very diverse one with many companies operating within the context of very different agendas and sense of purpose.

5.7 FACTORS CONTRIBUTING TO THE GROWTH OF SERVICE SECTOR

1. GOVERNMENT POLICIES:

It is Govt. which makes mandatory for price levels, distribution strategies, defining procedure attributes.

Another important action taken by the Govt.'s of many countries has been privatization.

"Privatization" means the policy of transforming Govt. organization into investors owned companies.

The transformation of such operations like telecoms, airlines has led to restructuring cost cutting and more market focused.

PROS OF PRIVATIZATION:

a. Increase the efficiency

b. Increase in profits

New change will require services firm to change their marketing strategy, operational procedures, and HR policies.

2. SOCIAL CHANGES

Now a day there is a drastic change, two members are working, which requires to hire individuals to perform tasks that used to be performed by a house hold member.

E.g. Child care

Laundry

Food preparation

Combinations of changing life styles like

- Higher income
- Declining prices for many high technology products – made for people to by computers.
- Mobile phone etc.

Increased imaginations into countries – U.S, Canada and Australia.

3. BUSINESS TRENDS

Many professional associations have been forced by Govt. to remove long-standing bars on adv and promotional activities.

Franchising has become wider spread in many service industries.

Licensing of independent entrepreneurs to produce and sell a branded service according to tightly specified procedures.

4. ADVANCES IN IT:

Changes come from the integration of computers and tele-communication

More powerful software enables firm to create databases that combine information about customers with details of all their transaction, so that they can be used to predict new trends, segment the market, new marketing opportunities.

The creation of wireless networks and transfer of electronic equipments such as cell phones to lap tops and scanners, to allow sales and customer service personnel to keep in touch.

5. INTERNATIONALISATION AND GLOBALIZATION:

A strategy of international expansion may be driven by a sector for new markets or by the need to respond to existing customers who are traveling abroad in greater numbers.

When companies set up operations in other countries they often prefer to deal with just a few international suppliers rather than numerous local firms.

The net effect is to increase competition and to encourage the transfer of innovation in both products and processes from country to country.

5.8 CHALLENGES AND ISSUES IN SERVICE MARKETING

(a). Tangibility

A product is tangible, which means the customer can touch and see the product before deciding to make a purchase. Items such as packaging and presentation may compel a customer to purchase a product. Services, on the other hand, are not tangible, which can make them more difficult to promote and sell than a product.

(b). Relationship and Value

Products tend to fill a customer's need or want, so companies can use this to sell a product. A service is more about selling a relationship and the value of the relationship between the buyer and seller of the service. For example, a car is something a buyer can touch and see as well as use. A service, such as lifestyle coaching, for example, is not tangible. A lifestyle coach may be able to assist clients in creating a life plan and implementing steps to transform his life into one that the client wants to live, but it is not something tangible that the client can place in his home and look at every day. Therefore, the client needs to perceive the value of the service, which can be harder to get across.

(c). One Versus Many

Marketing products tends to involve multiple products that make up the line. For example, cleaning product manufacturers tend to market not just one cleaning product. Instead, they have a line of cleaning products to serve the various needs of their customers. Services, on the other hand, typically have a single option. It can be harder to promote and sell the reputation of one single service over the benefits of many different products.

(d). Comparing Quality

Measuring the quality of a product is easier than measuring that of a service. If a customer buys a cleaning product to clean the kitchen sink and it doesn't do the job, the customer knows the value of the product is zero. On the other hand, it is harder to measure the quality of a service.

(e). Return Factor

If a customer purchases a product and it doesn't work as it is supposed to, the customer can return the product for her money back or at least to receive a store credit. A service is consumed as it is offered, so it lacks the return factor that a product has. Some service providers overcome this by offering money-back guarantees.

5.8.1 MARKETING CHALLENGES OF SERVICES:

Managing, growing, and profiting with both product and service businesses are challenging tasks. But the challenges are different from one to the other. Listed below are some of the most common and difficult challenges of growing and .managing consulting, professional, or technology service businesses that don't necessary apply to product businesses.

(a). Clients can't see or touch services before they purchase them: This makes services difficult to conceptualize and evaluate from the client perspective, creating increased uncertainty and perception of risk. From the firm's perspective, service intangibility can make services difficult to promote, control quality, and set price.

(b). Services are often produced and consumed simultaneously: This creates special challenges in service quality management that product companies do not even consider. Products are tested before they go out the door. If a product has quality problems while in production the company can fix them and customers are none the wiser. Service production happens with the customer present, creating a very different and challenging dynamic.

(c). Trust is necessary: Some level of trust in the service organization and its people must be established before clients will engage services. This is as important, sometimes more important, than the service offerings and their value proposition.

(d). Competition is often not who you think: Competition for product companies are other product companies. Competition for service companies are often the clients themselves: Sure, sometimes you find yourself in a competitive shootout (some firms more than others), but often the client is asking 'should we engage this service; at all' and 'if so, should we just do it in-house'.

(e). Brand extends beyond marketing: Brand in service businesses is about who you are as much as what you say about yourself. And internal brand management and communications can be equally as vital to marketing success as are external communication.

(f). Proactive lead generation is difficult: Many service companies have tried, and failed, at using lead generation tactics that work wonders for product companies. Implemented correctly, traditional product techniques, such as direct marketing and selling, can work for services, but the special dynamics of how clients buy services must be carefully woven into your strategy.

(g). Service deliverers often do the selling : Many product companies have dedicated sales forces. For services, the selling is often split between sales, marketing, professional, and management staff.

(h). Marketing and sales lose momentum: Most product companies have dedicated marketers and sellers. They market and sell continuously, regardless of the revenue levels they generate. In many services companies the marketers and sellers also must manage and deliver. This can often lead to the Services Revenue Rollercoaster-wide swings between revenue and work overflow, and revenue and work drought.

(i). Passion is necessary yet elusive: The more passion, spirit, hustle, and desire your staff brings to the organization every day, the more revenue and success you will have. The correlation between staff passion and financial success is direct and measurable

5.9 CLASSIFICATION OF SERVICES

I) CLASSIFICATION BASED ON ULTIMATE USER:

A) CONSUMER: Services which are directly provided to the consumer.

B) BUSINESS TO BUSINESS: Services are provided to business operations.

E.g. Ad agency

C) INDUSTRIAL: Services are provided to the industries.

E.g. Repair services, Maintenance

II) CLASSIFICATION BASED ON LEVELS OF TANGIBILITY:

A) Highly tangible – Car rentals

B) Services linked to tangible goods

E.g. Domestic appliances, radio, T.V.

C) Highly intangible – Consultancy, Legal service

D) Major Service link with minor tangibles

E.g. Air lines

III) CLASSIFICATION BASED ON SERVICE OPERARTION

A) PEOPLE BASED SERVICES: High contact with people – Bank, Restaurant, Education.

B) EQUIPMENT BASED: low contact – ATM, Cinema.

IV) CLASSIFICATION BASED ON SPECIALIZATION:

A) PROFESSIONAL SERVICES

E.g. Medical services, Legal services.

B) NON PROFESSIONAL SERVICES

E.g. Baby sittings

V) CLASSIFICATION BASED ON PROFIT ORIENTATION

A) Banks, Hotel and catering services

B) Based on Non Profit – Church, Temples

VI) CLASSIFICATION BASED ON EXTERNAL – INTERNAL SERVICES:

A) EXTERNAL SERVICES

E.g. A/c repairs, computer installation.

B) INTERNAL SERVICES

E.g. Recruitment, internal office cleanliness

VII) CLASSIFICATION BASED ON CUSTOMER EMPLOYEE PRESENCE:

A) Self service – Only customer presence is required

E.g. ATM

B) Inter Personal service – Presence of both customer and employee.

E.g. Educational institutions

C) Remote services – Presence of only Employees

E.g. Insurance Companies

5.10 EXPANDED MARKETING MIX OF SERVICES (7 P'S):

1) Price

2) Product

3) Place

4) Promotion

5) Physical evidence

6) Process

7) People

1. PRICE: By deciding the price of the services, time, and unwanted mental and physical effort, exposure to negative sensory experiences should be considered.

2. PRODUCT: In services both core product and bundle of supplementary service segments should be considered. The benefits desired by customers and how well the competing products are performed should be analyzed.

3. PLACE: Here decisions are to be taken on the methods and channels used. Delivery made through physical or electronic distribution channel or both depending on nature of service

Firms may deliver services directly to customers or to intermediaries like retail outlets.

Speed of delivery, convenience of delivery is important.

4. PROMOTION: This involves providing needed information and advice, persuading the target customers and encouraging the customers take action at specific times. Therefore, communication can be delivered by individual's media and press. Their promotional activities may influence brand choice.

5. PHYSICAL EVIDENCE: The appearance of buildings, interior furnishing, equipment, staff members is which provides tangible evidence of firm's service quality.

6. PROCESS: It is a method and sequence of action in service performance.

Poor process makes it difficult for frontline staff to do their jobs well, resulting in low productivity and increased service failure.

7. PEOPLE: They are the intermediary between customers and the firm. Service quality is often assessed based on customers' interaction with frontline staff.

5.11 CUSTOMER RELATIONSHIP MANAGEMENT

Business people started using the term Customer Relationship Management (CRM) since the early 1990s when the concept of business started to change from being transactional to relational. CRM directly contributes towards customer benefits and the growth of businesses.

Information Technology plays a very critical role in identifying, acquiring, and retaining the customers, and thereby managing a healthy relationship with them.

5.11.1 What is CRM?

There can be multiple definitions of CRM from different perspectives:

- From the viewpoint of the Management, CRM can be defined as *an organized approach of developing, managing, and maintaining a profitable relationship with customers.*
- By equating the term with technology, the IT organizations define CRM as *a software that assists marketing, merchandising, selling, and smooth service operations of a business.*
- As per Franics Buttle, World's first professor of CRM, it is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to a target customer at profit. It is grounded on high quality customer data and information technology.

The primary goal of CRM is to increase customer loyalty and in turn improve business profitability.

5.12 Ingredients of CRM

Take a look at the following illustration. It shows the ingredients that work together to form a successful CRM system.

Here are some of the important ingredients of CRM:

- ❑ **Analytics** – Analytics is the process of studying, handling, and representing data in various graphical formats such as charts, tables, trends, etc., in order to observe market trends.
- ❑ **Business Reporting** – Business Reporting includes accurate reports of sales, customer care, and marketing.
- ❑ **Customer Service** – Customer Service involves collecting and sending the following customer-related information to the concerned department:
- ❖ Personal information such as name, address, age, etc. o Previous purchase patterns.
- ❖ Requirements and preferences. o Complaints and suggestions.
- ❑ Human Resource Management – Human Resource Management involves employing and placing the most eligible human resource at a required place in the business.
- ❑ Lead Management – Lead Management involves keeping a track of the sales leads and distribution, managing the campaigns, designing customized forms, finalizing the mailing lists, and studying the purchase patterns of the customers.

- Marketing – Marketing involves forming and implementing sales strategies by studying existing and potential customers in order to sell the product.
- Sales Force Automation – Sales Force Automation includes forecasting, recording sales, processing, and keeping a track of the potential interactions.
- Workflow Automation – Workflow Automation involves streamlining and scheduling various processes that run in parallel. It reduces costs and time, and prevents assigning the same task to multiple employees.

5.13 Objectives of CRM

The most prominent objectives of using the methods of Customer Relationship Management are as follows:

- **Improve Customer Satisfaction** – CRM helps in customer satisfaction as the satisfied customers remain loyal to the business and spread good word-of-mouth. This can be accomplished by fostering customer engagement via social networking sites, surveys, interactive blogs, and various mobile platforms.
- **Expand the Customer Base** – CRM not only manages the existing customers but also creates knowledge for prospective customers who are yet to convert. It helps creating and managing a huge customer base that fosters profits continuity, even for a seasonal business.
- **Enhance Business Sales** – CRM methods can be used to close more deals, increase sales, improve forecast accuracy, and suggestion selling. CRM helps to create new sales opportunities and thus helps in increasing business revenue.
- **Improve Workforce Productivity** – A CRM system can create organized manners of working for sales and sales management staff of a business. The sales staff can view customer's contact information, follow up via email or social media, manage tasks, and track the salesperson's performance. The salespersons can address the customer inquiries speedily and resolve their problems.

5.14 Types of CRM

In the past twenty years, the focus of global markets has shifted from sellers to customers. Today, customers are more powerful than sellers, if we consider the driving factors of market. We have different types of CRM according to the changes in customer portfolios, speed of business operations, requirement of handling large data, and the need of sharing information, resources, and efforts jointly.

CRM systems are divided based on their prominent characteristics. There are four basic types of CRM systems:

- Strategic CRM
- Operational CRM
- Analytical CRM
- Collaborative CRM

The following table lists the types of CRM and their characteristic features:

TYPE	CHARACTERISTIC
Strategic CRM	Customer-centric, based on acquiring and maintaining profitable customers.
Operational CRM	Based on customer-oriented processes such as selling, marketing, and customer service.
Analytical CRM	Based on the intelligent mining of the customer data and using it tactically for future strategies.
Collaborative CRM	Based on application of technology across organization boundaries with a view to optimize the organization and customers.

Strategic CRM

Strategic CRM is a type of CRM in which the business puts the customers first. It collects, segregates, and applies information about customers and market trends to come up with better value proposition for the customer.

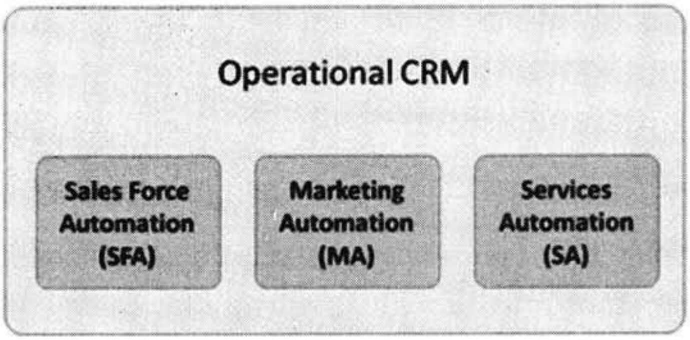
The business considers the customers' voice important for its survival. In contrast to Product-Centric CRM (where the business assumes customer requirements and focuses on developing the product that may sometimes lead to over-engineering), here the business constantly keeps learning about the customer requirements and adapting to them.

These businesses know the buying behavior of the customer that happy customers buy more frequently than rest of the customers. If any business is not considering this type of CRM, then it risks losing the market share to those businesses, which excel ~~at~~ strategic CRM.

Operational CRM

Operational CRM is oriented towards customer-centric business processes such as marketing, selling, and services. It includes the following automations: Sales Force Automation, Marketing Automation, and Service Automation.

Salesforce is the best suitable CRM for large established businesses and **Zoho** is the best CRM for growing or small-scale businesses.



Sales Force Automation

SFA is the application of technology to manage selling activities. It standardizes a sales cycle and common terminology for sales issues among all the sales employees of a business. It includes the following modules:

- **Product Configuration:** It enables salespersons or customers themselves to automatically design the product and decide the price for a customized product. It is based on if-then-else structure.
- **Quotation and Proposal Management:** The salesperson can generate a quotation of the product prices and proposal for the customer by entering details such as customer name, delivery requirements, product code, number of pieces, etc.
- **Accounts Management:** It manages inward entries, credit and debit amounts for various transactions, and stores transaction details as records.
- **Lead management:** It lets the users qualify leads and assigns them to appropriate salespersons.
- **Contact Management:** It is enabled with the features such as customers' contact details, salespersons' calendar, and automatic dialing numbers. These all are stored in the form of computerized records. Using this application, a user can communicate effectively with the customers.
- **Opportunity Management:** It lets the users identify and follow leads from lead status to closure and beyond closure.

Marketing Automation

Marketing automation involves market segmentation, campaigns management, event-based marketing, and promotions. The campaign modules of Marketing Automation enable the marketing force to access customer-related data for designing, executing and evaluating targeted offers, and communications.

Event-based (trigger) marketing is all about messaging and presenting offers at a particular time. For example, a customer calls the customer care number and asks about the rate of interest for credit card payment. This event is read by CRM as the customer is comparing interest rates and can be diverted to another business for a better deal. In such cases, a customized offer is triggered to retain the customer.

Service Automation

Service automation involves service level management, resolving issues or cases, and addressing inbound communication. It involves diagnosing and solving the issues about product.

With the help of Interactive Voice Response (IVR) system, a customer can interact with business computers by entering appropriate menu options. Automatic call routing to the most capable employee can be done.

Consumer products are serviced at retail outlets at the first contact. In case of equipment placed on field, the service expert may require product servicing manual, spare parts manual, or any other related support on laptop. That can be availed in service automation.

Analytical CRM

Analytical CRM is based on capturing, interpreting, segregating, storing, modifying, processing, and reporting customer-related data. It also contains internal business-wide data such as **Sales Data** (products, volume, purchasing history), **Finance Data** (purchase history, credit score) and **Marketing Data** (response to campaign figures, customer loyalty schemes data). **Base CRM** is an example of analytical CRM. It provides detailed analytics and customized reports.

Business intelligence organizations that provide customers' demographics and lifestyle data over a large area pay a lot of attention to internal data to get more detail information such as, "Who are most valuable customers?", "Which consumers responded positively to the last campaign and converted?", etc.

Analytical CRM can set different selling approaches to different customer segments. In addition, different content and styling can be offered to different customer segments. For the customers, analytical CRM gives customized and timely solutions to the problems. For the business, it gives more prospects for sales, and customer acquisition and retention.

Collaborative CRM

Collaborative CRM is an alignment of resources and strategies between separate businesses for identifying, acquiring, developing, retaining, and maintaining valuable customers. It is employed in B2B scenario, where multiple businesses can conduct product development, market research, and marketing jointly.

Collaborative CRM enables smooth communication and transactions among businesses. Though traditional ways such as air mail, telephone, and fax are used in communication, collaborative CRM employs new communication systems such as chat rooms, web forums, Voice over Internet Protocol (VoIP), and Electronic Data Interchange (EDI).

There are collaborative CRMs with in-built **Partner Relationship Management (PRM)** software application which helps in managing partner promotions. **SugarCRM** is a popular collaborative CRM. It enables expert collaboration and provides state-of-the-art social capabilities.

5.15 CUSTOMER RELATIONSHIPS

Being social animals, we are naturally inclined towards interaction. The bonding that takes place when we communicate in a healthy manner paves smooth ways for many difficult challenges. In the role of customers, we interact with salespersons, dealers, wholesalers, and suppliers.

In the term CRM, 'R' stands for **relationship**, but can a relationship between a customer and a business exist? Let us discuss more about the term **relationship** and its role in businesses.

What is Relationship?

The Oxford Dictionary defines **relationship** as, *"the way in which two or more people or things are connected"*.

Investment of time, trust, transparency, care, and communication are vital for any relationship to build and survive. This is applicable to human relationships. As far as a formal business domain is concerned, the definition goes as follows:

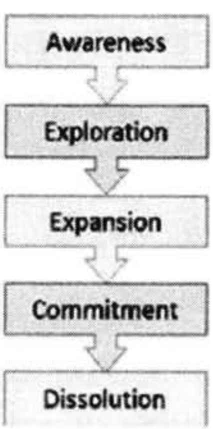
"Relationship is a series of repeated interactions between dyadic parties over a time."

If a person on his journey stops at a roadside eating joint and buys a burger, it is a transaction; not a relationship. But when a person goes to a particular shop repeatedly, because he likes the store's ambience, quality of products, or the way he receives service at the shop, then it can be quoted as a relationship.

Some experts say, only repeated interaction over time does not make complete sense of the term **relationship**. It also needs some emotional element of affection and care.

5.16 Evolution of Customer-Suplier Relationship

F. Robert Dwyer, a marketing professor at Lindner College of Business states five phases through which a customer-supplier relationship evolves:



- **Awareness:** The parties come in contact with each other and see each other as a possible customer or supplier.

- **Exploration:** The parties find out more about one another's capabilities and business prospects. Trial purchasing takes place and performance is assessed. If deal is not smooth then the relationship terminates with the damage of less costs.

- **Expansion:** It is composed of attraction, communication, bargaining, development of rules, and development of expectations from each other.

- **Commitment:** Trust begins to develop and deals are executed as per the norms and expectations. Mutual understanding and cooperation develops, and number of transactions start building up.

- **Dissolution:** Not all relationships can survive. Some relationships are terminated either bilaterally (both parties agree to end) or unilaterally (one party decides to end). If it is bilateral decision then both parties retrieve the invested amount and resources. Supplier exits relationship in case of failure to contribute sales volume or profit. Customer ends relationship unilaterally due to changes in product requirement, repeated servicing failure, etc.

Dissolution can be avoided by reducing cost-to-serve.

5.17 Why a Business Wants Relationship with its Customers?

Every business regards its customers as a lifetime stream of revenue; losing a single customer can cost the business very high. **Lifetime Value (LTV)** for a customer is considered to analyze the effectiveness of a particular marketing channel.

For example, if the **Churn Rate** of a business X is 5% and that of business Y is 10%, then in the long-term, business X would have a larger customer base than business Y, which places business X at the position of competitive advantage and directly influences profit of both the businesses.

A business can generate greater sales volume and in turn greater revenue if it knows its customers well and have good relationship with them. Thus, solely for the economic purpose, every business wants to have healthy relationships with their customers.

5.18 Relationship Management Theories

There are various schools of thoughts with different theories of relationship management. Let us discuss some of them briefly:

Theory by Industrial Marketing and Purchasing Group (IMP Group)

This Europe-based research initiative in Industrial Marketing focuses on B2B relationships and states the following characteristics:

- Buyers and sellers both actively participate in the transaction to find solutions to their respective challenges.
- Buyer-seller relationships are normally long-term and close.
- Relationships are composed of interpersonal bond, connections among businesses, and strengths or weaknesses of the business.
- The transactions often occur with respect to relationship's history.
- The businesses chose the mode and the manner of interaction with the entities at various levels of importance.

Theory by Nordic School

A Scandinavian services marketing group, named The Nordic School, emphasizes on supplier-customer relationship. It identifies the triplet of relationship marketing as:

- **Interaction:** As customers and suppliers interact, each one provides a service to another. Customer provides information and supplier provides solution.
- **Dialogue:** Communication is bilateral and is essential for the survival of the relationship.
- **Value:** The business needs to generate something that is perceived as value to the customer.

Theory by Anglo-Australian School

It states that relationships are important not only from the viewpoint of customers but also from the angle of stakeholders of the business such as employees, suppliers, and government. It also found out that customer's satisfaction and customer retention are value drivers of any business.

Theory by North American School

According to this theory, good relationships reduce costs significantly. Trust and commitment are vital attributes of a successful relationships. By connecting the trust to the commitment, this theory states that trust created on the basis of minimal functional conflicts, communication, non-opportunistic behavior, and cooperation. Commitment is linked to high relationship termination cost and relationship benefits.

Theory by (Guanxi) Asian School

This theory is based upon the teachings of Lord Buddha regarding social conducts and acts of reciprocation. This theory states that people from a family, friendship, same-clan fellowship are connected to each other due to informal social relationships which impose them to follow reciprocal obligations to acquire the resources by exchanging favors and cooperation.

5.19 MANAGING CUSTOMERS

Customers in the last decade only used to be concerned about quantity, quality, and price. In today's information-driven world, the customers have not remained merely as people buying goods or services from a business. Along from being concerned about the questions such as "how many", "how much", and "what", they are groomed smart enough to ask, "why?". Today's customers are hard to convince and are difficult to please too.

Who is an Empowered Customer?

Today's customers are empowered. Empowered customers are those having the control to buy goods or services from a business when and where they want it, by selecting from a vast range of available choice. Empowered customers access the Internet and collect information about products, dealers, and prices. They take advice from friends or at times from strangers too, before making a buying decision.

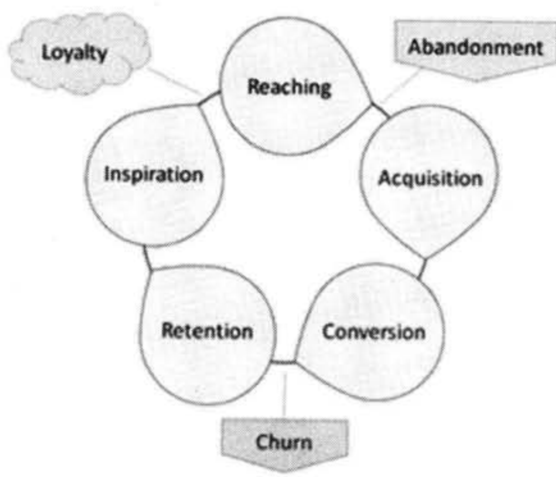
By using various digital devices, they can find out the specifications of a product or service before arriving at buying decision. They are smart and alert buyers who also keep high expectations. When a business fulfills most of the expectations, the empowered customers can be loyal to them.

Let us analyze the phases a customer goes through when a business offers products/ services to the customers.

5.20 CUSTOMER LIFE CYCLE

Customer Life Cycle is used to describe the phases through a customer goes. Here are the important stages of a customer life cycle:

- **Reaching:** It is the phase where a business communicates with its target customer. It is mainly done through advertisements.
- **Acquisition:** Attracting and influencing the target customer. The marketing team decides the scope of the target audience and convinces the customers about the benefits of its products/services.
- **Conversion:** It is when customers decide to purchase a product or service.
- **Retention:** In addition to flawless products/services, the business offers some extra facilities to the customer such as priority treatment, beautiful store ambience, free parking, etc., to retain existing customers.
- **Inspiration:** To inspire a regular customer into a loyal one by establishing a sound relationship. When a business puts efforts on providing polite and quick service, personal attention from the staff, knowledgeable sales staff, then the customers are automatically inspired to buy a product/service from a particular vendor.



Let us now try to figure out what differentiates a customer from a consumer.

Consumer vs. Customer

A **consumer** is a user of a product or a service, whereas a **customer** is a buyer of a product or service. A customer decides what to buy and executes the deal of purchasing by paying and availing the product or service. A consumer uses the product or service for oneself.

For example, the customer of a pet food is not the consumer of that product. Similarly, if a mother in a supermarket is buying *Nestlé Milo* for her baby, then she is a customer and her baby is a consumer.

5.21 TYPES OF CUSTOMERS

There can be various types of customers a business have to deal with. Here are some prominent types of customers:

1. **Loyal Customers** – They are completely satisfied customers. Though they are less in numbers, they can promote more sales and profit. They expect individual attention and demand polite and respectful response from the supplier.

2. **Discount Customers** – They visit the business outlets frequently but transact only when business offers discounts on regular products and brands. They are the ones who buy only low cost products. Their buying behavior changes according to the rate of discounts. They are important to a business, as they contribute a significant portion of business profit.

3. **Impulsive Customers –** They are with the business in urge and buy on impulse. They don't plan for buying anything specific in advance, but they urge to buy anything that they find good and productive at the time when they are in the store. These customers are challenging and very difficult to convince. They are capable of bringing high profit when treated tactfully.

4. **Need-Oriented Customers:** They have a specific product on mind and they often plan before buying. They only buy when they need a product. They are difficult to satisfy. They need reasons to switch to another product or brand.

5. **Wanderers:** They are least profitable ones to a business. At times, they are not sure what to buy. They are normally new in the industry and mostly visit the suppliers only to confirm their needs on products. They like to find out the features of the products in the market but they are least interested in buying.

6. **High Volume Customers:** They are the ones who consume a high volume of products.

7. **High Future Lifetime Value Customers:** The ones who can contribute profits in future.

8. **Benchmark Customers:** They are the ones whom other customers follow.

9. **Door Openers:** They can open doors to a new market for the supplier.

10. **Inspiring Customers:** They force the suppliers to change for betterment. They suggest product improvements or inform the suppliers about opportunities of cost reduction.

5.22 CUSTOMER ORIENTATION

There are three types of customer orientations:

- **Cost-Oriented Customers –** They concentrate on products with least costs and are ready to compromise on efficacy, performance, and quality. They are ready to blame the supplier on the occurrence of fault in product without thinking that they are responsible for choosing less quality product. Some customers tend to fix problems with a local, less-skilled dealer or by themselves without taking a supplier's direct help as it is cheaper. These customers also at times buy second hand products and expect it to perform as efficiently as a new one. The suppliers always find themselves arrested in payment-related issues with these customers.

- **Value-Oriented Customers** – They always look for efficient and high-performing products, as they know that they are making a profitable deal for a long run. For them, paying a high initial cost is their long-term investment to enjoy its hassle-free benefits in future. They are satisfied customers. They often tend to maintain a healthy relationship with the suppliers.

- **Technology-Oriented Customers –** They opt for the best technology products rather than less cost, good quality, or performance. They are technology-conscious as they find using products with latest technology would sustain in the ever-changing technological environment. These customers have detailed eye towards technical aspects of a product and tendency to interact with other customers of their type. They are also satisfied customers and tend to maintain healthy relationship with supplier.

5.23 CUSTOMER MANAGEMENT STRATEGIES

There are seven core customer management strategies:

- **Start a relationship** – When a customer is identified as having a high potential to bring profits, start a relationship.
- **Protect the relationship** – When the customer is significant for the business and when there is a possibility of the competitor's attraction, then the managers need to protect the relationship.
- **Relationship re-engineering** – This is necessary when the managers find that the customer is not profitable as desired at the current stage. In such a case, serve the customer by low-cost automated channels.
- **Enhance the relationship** – The managers identify up-selling and cross-selling opportunities and try to boost the customer on the scale of value.
- **Harvest the relationship** – When the managers do not want to spend much on the existing customer development, they use the cash flow from these customers to develop new customers.
- **End the relationship** – It is good to end the relationship when the customer shows no sign of contributing to future business profit.
- **Regain the customer** – When the customer goes to the competitor while choosing another option to fulfill his requirement, then the managers need to implement win-back strategies to regain the customer and understand the reason of departing the customer.

Customer Acquisition

Customer acquisition is the art of persuading the customers to buy products or to avail services offered by a business. Each time a business invents new strategies for acquiring new customers, the strategy gets saturated over some time.

The strategy that worked in the past may not remain effective in the future. Hence the businesses need to keep tuned with the market situations, government policies and plan the new strategies.

It requires diligent planning, forming acquisition strategy, communicating with customers, advertising the products aggressively on various media, conducting flash sales, etc., to acquire new customers.

5.24 BUILDING VALUE FOR CUSTOMERS

The terms **cost** and **value** are often misunderstood as same, though these two terms are poles apart in their meaning. The cost of a product is nothing but the amount a customer pays to the seller to avail the product. When the customer says a product is "value for money", it means the product delivers what it is supposed to in the exchange of a reasonable cost.

What is Value?

The value of a product or a service is nothing but the customer's perception of the ratio of benefits received to the sacrifices made while purchasing a product or service from a business.

Value = Benefits / Sacrifices

Value is directly affected by customer's perception, which can be altered positively by increasing benefits and decreasing sacrifices.

Customer's Sacrifices

The customers make the following sacrifices when it comes to buying from a business:

Time

This is the time taken to physically arrive at the business outlet or to search for the required product online, and to compare various similar products with respect to specifications and costs. It also includes waiting time to avail the required product and extended time when a business delivers a product with incorrect specification.

Money

It is the primary concern. Apart from the cost of product or services the business offers, it may be the cost of Value Addition Tax (VAT), surcharge, interest on the late payments, etc. Similarly, there can be discounts for first few customers or under any other schemes.

Energy

The customers invest energy to get ready, step out for shopping, to drive or to travel from home to the business outlet. The energy also includes fuel consumption for transport.

Emotional Costs

Purchasing a product can be a very hectic, frustrating, and at times annoying experience for the customers. Right from planning what and when to purchase, budgeting, getting ready and stepping out of the house for shopping, being through the crowd on the road, arriving at the store, dealing with the business staff who don't possess adequate knowledge of the product or schemes, paying exaggerated prices, carrying heavy packages, exchanging faulty or outdated products, etc. At times the customers need to travel in bad weather only to find out that the last piece of the required product was just picked by some other customer.

While buying the product, the customer has to deal with various risks such as financial (regarding product price), physical (possibility of the product turning harmful to customer's body), and performance (possibility of the product failure).

Sources of Value

There are various sources of creating value for the products the customer purchases:

Value through Operational Excellence

It involves the following:

- Being innovative in product design.
- Following rigorous quality while manufacturing.
- Keeping a golden mean of price and quality.
- Handling efficient supply chains.
- Cooperating closely among suppliers.
- Satisfying customers' expectations.

Value through Product Leadership

It involves the engagement of the business in continuous product innovation for improvement, large share of investment in product research and development along with the risk. The business creates value by providing the best quality product or service solution in adequate time.

Value through Customer Intimacy

Customer intimacy is generated and developed by understanding customer requirements, offering customized products, creating best outlet ambience, the warmth and interest of business staff while communicating with customers, and putting the customer first.

Value through Marketing Mix

The marketing force of a business combines various components of marketing mix (Product, Price, Place, and Promotion) together to create the best value for the customer. In case of services, as they are intangible unlike products, three more components are considered namely process, physical evidence, and people.

The marketing mix is planned such that is strikes a good balance among customer and business entities, to satisfy the both.

Key Words

CRM system: information technology (IT) systems and infrastructure that support the implementation and delivery of a customer-relationship management strategy.

customer contact personnel: service employees who interact directly with individual customers, either inperson or through mail and telecommunications.

customer equity: total combined customer lifetime value (*see definition*) of the company's entire customer base.

customer interface: all points at which customers interact with a service organization.

customer lifetime value (CLV): net present value of the stream of future contributions or profits expected over each customer's purchases during his or her anticipated lifetime as a customer of a specific organization.

customer relationship management (CRM): overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

customer satisfaction: a short-term emotional reaction to a specific service performance.

customer training: training programs offered by service firms to teach customers about complex service products.

complaint log: a detailed record of all customer complaints received by a service provider.

flower of service: a visual framework for understanding the supplementary service elements that surround and add value to the product core

halo effect: tendency for consumer ratings of one prominent product characteristic to influence ratings for many other attributes of that same product.

internal marketing: marketing activities directed internally to employees to train and motivate them and instill a customer focus.

internal services: service elements within any type of business that facilitate creation of, or add value to, its final output.

service: an economic activity offered by one party to another, typically without transfer of ownership, creating value from rental of, or access to, goods, labour, professional skills, facilities, networks, or systems, singly or in combination.

service concept: what the firm offers, to whom, and through what processes.

service failure: a perception by customers that one or more specific aspects of service delivery have not met their expectations.

service focus: extent to which a firm offers few or many services.

service guarantee: a promise that if service delivery fails to meet predefined standards, the customer is entitled to one or more forms of compensation.

service marketing system: that part of the total service system in which the firm has any form of contact with its customers, from advertising to billing; it includes contacts made at the point of delivery.

service model: an integrative statement that specifies the nature of the service concept (what the firm offers, to whom, and through what processes), the service blueprint (how the concept is delivered to target customers), and the accompanying business model (how revenues will be generated sufficient to cover costs and ensure financial viability).

service preview: a demonstration of how a service works, to educate customers about the roles they are expected to perform in service delivery.

service quality: customers' long term, cognitive evaluations of a firm's service delivery.

service quality information system: an ongoing service research process that provides timely, useful data to managers about customer satisfaction, expectations, and perceptions of quality.

service recovery: systematic efforts by a firm after a service failure to correct a problem and retain a customer's goodwill.

service sector: the portion of a nation's economy represented by services of all kinds, including those offered by public and nonprofit organizations.

service–profit chain: a strategic framework that links employee satisfaction to performance on service attributes to customer satisfaction, then to customer retention, and finally to profits.

services marketing mix eight strategic elements, each beginning with P, in the services marketing mix, representing the key ingredients required to create viable strategies for meeting customer needs profitably in a competitive marketplace.

servicescape: the design of any physical location where customers come to place orders and obtain service delivery.

SERVQUAL: a pair of standardized 22-item scales that measure customers' expectations and perceptions concerning five dimensions of service quality.

Questions

1. Define – Services from a marketing view – points.
2. What are the characteristics of services?
3. What are the intangible features of services?
4. What are the problems in services marketing due to intangibility characteristics?
5. What are the attributes of service?
6. What are the components of a services?
7. Name three fastest growing services in India.
8. What are the components of integrated service management?
9. Explain the nature, scope and characteristics of service sector.
10. What are the characteristics of service?

11. Classify services in detail.

12. Explain the types of services.

13. What is CRM?

14. List the 4C's of the CRM process.

15. What are the goals of CRM?

1. What is CRM? Explain the concept of CRM.

16. Explain the Stages of CRM.

17. What are the benefits of maintaining proper customer relations?

18. Explain the requirements for an effective CRM program.

19. Explain the types of CRM with examples.

20. Discuss the objectives of a CRM process.

21. Broadly describe the components of CRM with suitable examples.

22. Describe the CRM process framework in detail.

FUNDAMENTALS OF MARKETING MANAGEMENT

HC5B

VI Semester B.B.A.LL.B.

Model Question Paper

Time: 3 Hours Maximum Marks – 100 Marks

PART – A (2 X 12 = 24 marks)

Answer TWO of the following in about each

1) What is marketing mix? Explain the 4ps of marketing mix with examples.

2) Elucidate the Stages in New product development

3) Explain the Classification of Services.

PART – B (2 X 7 = 14 marks)

Answer TWO of the following in about 100 words each

4) What is marketing research? Why the Companies use Marketing Research ?

5) What are the reasons for New product failure?

6) Functions and types of marketing middleman.

PART – C (5 X 4 = 20 marks)

Answer FIVE of the following

7)

a) Differentiate between marketing and selling

b) List out and explain the Functions of Marketing.

c) Explain the political/legal environment that affect marketing in current business scenario.

d) What are the sources of marketing management information systems?

e) Explain the components of Service.

f) Explain the Selection of Distribution Channel process.

g) Explain the Concept, Nature and Managing Customer Relationship.

PART – D (6 X 2 = 12 marks)

Answer SIX of the following

8)

a) Problems in marketing a product

b) PLC

c) Price Mix

d) Advertising

e) Sales Promotion

f) Pricing Policy

g) Marketing Mix

h) Market Segmentation

* * * * * *