MARKETING MANAGEMENT

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CENTER FOR DISTANCE AND ONLINE EDUCATION,

UTKAL UNIVERSITY, BHUBANESWAR -7

	MARKETING MANAGEMENT		
Block No	Block	Unit No	Unit
1	Introduction to Marketing	1	Meaning, Importance, Core Concept
		2	Marketing Management Process
		3	Marketing Environment
2	Marketing Planning	4	Identification of market, Market Segmentation,
		5	Marketing Information System, Market Research
		6	Consumer Behavior and Demand Forecasting.
3	Product Pricing Strategy	7	Product, Product Classifications, Product Strategies
		8	New Product Development, Product Life Cycle
		9	Marketing Mix Strategy, Branding, Labeling and Packaging Strategies
		10	Pricing Methods and Strategy
4	Promotion and Placement Management	11	Integrated Marketing Communication (IMC)
		12	Tools of Promotion and Promotional Strategy
		13	Meaning and Importance of Distribution System
		14	Functions of wholesaler and retailer
5	Contemporary topics in Marketing	15	Marketing of Services, Rural Marketing, International Marketing
		16	Digital Marketing and Green Marketing

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1.0 OBJECTIVE

After studying this unit, you should able to learn :

- The meaning of the term Marketing and various marketing concepts:
- The difference between selling and marketing;
- The marketing management process;
- The Core Concept of Marketing:
- Role of Marketing in Economic Development Process.
- The marketing environment.

1.1 INTRODUCTION TO MARKETING MANAGEMENT

1.1.1 TRADITIONAL CONCEPT OF MARKETING

According to the traditional concept, marketing means selling goods and services that have been produced. Thus, all those activities which are concerned with persuasion and sale of goods and services, are called marketing. This concept of marketing emphasizes on promotion and sale of goods and services and little attention is paid to consumer satisfaction. This concept has the following implications:

- The main focus of this concept is on product, i.e., we have a product and it has to be sold. So, we have to persuade the consumers to buy our product.
- All efforts of the marketing people are concentrated on selling the product. They adopt all means like personal selling and sales promotion to boost the sales.
- The ultimate goal of all marketing activity is to earn profit through maximisation of sales.

Traditional Concept of Marketing	
Focus on	Product
Means	Selling
Ends	Profit through maximization of sales

1.1.2 MODERN CONCEPT OF MARKETING

The modern concept of marketing considers the consumers' wants and needs as the guiding spirit and focuses on the delivery of such goods and services that can satisfy those needs most effectively. Thus, marketing starts with identifying consumer needs, then plan the production of goods and services accordingly to provide him the maximum satisfaction. In other words, the products and services are planned according to the needs of the customers rather than according to the availability of materials and machinery. Not only that, all activities (manufacturing, research and development, quality control, distribution, selling etc.) are directed to satisfy the consumers. Thus, the main implications of the modern concepts are:

- The focus of this concept is on customer orientation. The marketing activity starts with an assessment of the customer's needs and plans the production of items that satisfy these needs most effectively. This also applies to all other marketing activities like pricing, packaging, distribution and sales promotion.

- All marketing activities like product planning, pricing, packaging, distribution and sales promotion are combined into one as coordinated marketing efforts. This is called integrating marketing. It implies:
  - (i) developing a product that can satisfy the needs of the consumers;
  - (ii) taking promotional measures so that consumers come to know about the products, its features, quality , availability etc.;
  - (iii) pricing the product keeping in mind the target consumers' purchasing power and willingness to pay;
  - (iv) packaging and grading the product to make it more attractive and undertaking sales promotion measures to motivate consumers to buy the product; and
  - (v) taking various other measures (e.g., after sales service) to satisfy the consumers' needs.

- The main aim of all effort is to earn profit through maximisation of customer satisfaction. This implies that, if the customers are satisfied, they will continue to buy and many new customers will be added. This will lead to increased sales and so also the profits.

Modern Concept of Marketing	
Focus on	Customer's Need
Means	Coordinated marketing efforts
Ends	Profit through customer's satisfaction.

It may be noted that with growing awareness of the social relevance of business, marketing has to take into account the social needs and ensure that while enhancing consumer satisfaction, it also aims at society's long-term interest.

Marketing, more than any other business activities deals with customers. Although there are a number of detailed definitions of marketing perhaps the simplest definition of marketing is managing profitable customer relationship.

We can distinguish between a social and a managerial definition for marketing.

- According to a social definition, marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others.
- As a managerial definition, marketing has often been described as "the art of selling products."
- But Peter Drucker, a leading management theorist, says that "the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.
- Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably - The Chartered Institute of Marketing (CIM).

1.1.3 FEW RELEVANT TERMS ON MARKETING

Market: Normally people understand the term market as a place where goods are bought and sold. But, in the context of Marketing, it refers to a group of buyers for a particular product or service. For example, the market for Accountancy textbooks consists of students in Commerce and specialised Accountancy Programmes; the market for ladies readymade garments consists of girls and women, and so on.

Concept of Market:

- Place Concept: A market is a convenient meeting place of buyers and sellers to gather together in order to conduct buying and selling activities. It is a physical location where buyers and sellers personally meet to affect purchase and sales.

Types of Market

According to Area	According to Goods and Commodities.	According to Volume of transaction
• Local Market • Regional Market • Rural Market • National Market • International Market	• Fruit Market • Furniture Market • Stock Market; so on	• Wholesale Market • Retail Market

- Marketer: It refers to the person who organises the various marketing activities such as market research, product planning, pricing, distribution etc.

- Seller: It refers to a person or organization, who is directly involved in the process of exchange of goods and services for money. This includes the wholesaler, retailer, etc.
- Buyer: A buyer is one who is directly involved in the process of purchase of goods and services. He/she is one who selects the goods, makes payment and takes the delivery.
- Consumer: One who actually uses the product or service. For example, you bought a shirt and gifted it to your friend who uses it. Here your friend is the consumer and you are a buyer. However, a consumer can also be the buyer.
- Customer: A customer usually refers to the person who takes the buying decision. For example, in a family , father decides on the brand of the toothpaste to be used by his children. Here, the children are the consumers and the father is the customer. A customer can also be the consumer. Similarly, the buyer may be different from the customer or one can be the customer as well as the buyer.
- Virtual Market: With advancement of technology, the buyer and sellers can, now-a-days, interact with each other by using Internet. This is called virtual market.

1.2 DIFFERENCE BETWEEN SELLING AND MARKETING

The old sense of making a sale is telling and selling, but in new sense it is satisfying customer needs. Selling occurs only after a product is produced. By contrast, marketing starts long before a company has a product. Marketing is the homework that managers undertake to assess needs, measure their extent and intensity, and determine whether a profitable opportunity exists. Marketing continues throughout the product's life, trying to find new customers and keep current customers by improving product appeal and performance, learning from product sales results, and managing repeat performance. Thus **selling and advertising are only part of a larger marketing mix**-a set of marketing tools that work together to affect the marketplace.

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 and retaining 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 PROCESS OF MARKETING:

The marketing process involves ***five* steps**: The first four steps create value for customers and build strong customer relationships in order to capture value from customers in return.

Stage – 1:- Marketers must assess and understand the marketplace and customers needs and demands.

Stage – 2:- Marketers design a customer driven marketing strategy with the goal of getting, keeping and growing target customers. This stage includes market segmentation, targeting and position.

Stage -3 :- This step involves designing a marketing program that actually delivers the superior value. This step includes designing products and services, pricing the product, distribution and finally promoting the product. .

Stage – 4:-The first three steps provide the basis for the fourth step that is building profitable customer relationships and creating customer satisfaction.

Stage -5:- And finally, the company reaps the reward of strong customer relationship and satisfaction by capturing value from customers.

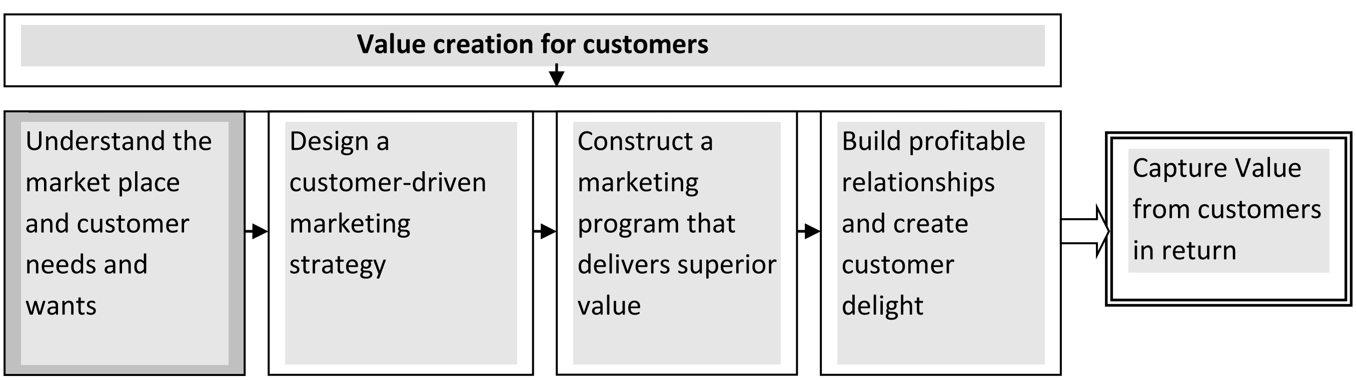


Figure 1: Marketing Process

1.4 MARKETING TASKS

According to market experts John Evans & Berry Bergmen- there are nine functions of marketing. These are:

- Customer analysis
- Buying supplies
- Selling products and services
- Product and service planning
- Pricing
- Distribution
- Marketing research
- Opportunity analysis
- Social responsibility.

1.5 SCOPE OF MARKETING:

Now a day, marketing offers are not confined into products and services. The scope of marketing is now becoming larger. Marketing people are involved in marketing several types of entities:

- ***Goods:*** Physical goods constitute the bulk of most countries' production and marketing effort. Most of the country produces and markets various types of physical goods, from eggs to steel to hair dryers. In developing nations, goods—particularly food, commodities, clothing, and housing—are the mainstay of the economy.
- ***Services:*** As economies advance, a growing proportion of their activities are focused on the production of services. The Indian economy today consists of a 70–30 services-to-goods mix. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.
- ***Experiences:*** By orchestrate several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience.
- ***Event:*** Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.
- ***Persons****:* Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high profile lawyers and financiers, and other professionals draw help from celebrity marketers.
- ***Place:*** Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents. Place marketers include economic

development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

- ***Properties***: Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).
- ***Organizations:*** Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, “Let’s Make Things Better.” The Body Shop and Ben & Jerry’s also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.
- ***Information:*** The production, packaging, and distribution of information is one of society’s major industries. Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.
- ***Ideas:*** Every market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

1.6. CORE CONCEPTS OF MARKETING:

- **Needs, Wants and Demands:** The successful marketer will try to understand the target market’s needs, wants, and demands. **Needs:** The most basic concept of marketing is the human needs. Human needs are states of felt deprivation. Human needs can be physical needs (Hunger, thirst, shelter etc) social needs (belongingness and affection) and individual needs (knowledge and self-expression).

There are five types of needs. These are-

- ✓ Stated need (Minimum price)
- ✓ Real need (Psychological price)
- ✓ Unstated need (Service for post purchase)
- ✓ Delighted need (Supplementary-Gift)
- ✓ Secret need (Show up, gesture).

Wants: It is the form of human needs shaped by culture and individual personality. Needs become wants when they are directed to specific objects that might satisfy the need. For example, An American needs food but wants hamburger, French fries and soft drink but a British wants fish, chicken, chips and soft drinks. So, it differs. **Demands:** Wants become demand when backed by purchasing power. Consumers view products as bundles of benefits and choose product that add up to the most satisfaction. Demand comprises of three steps first, desire to acquire something, second, willingness to pay for it, and third, ability to pay for it. Many people want a Mercedes; only a few are able and willing to buy one. Companies must measure not only how many people want their product, but also how many would actually be willing and able to buy it. However, marketers do not create needs; Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

- **Product or Offering and Value Proposition:** People satisfy their needs and wants with products. A product is any offering that can satisfy a need or want, such as one of the 10 basic offerings of goods, services, experiences, events, persons, places, properties, organizations, information, and ideas. By an offering customer get the value proposition to use or consume the deliver product or services. So **Value proposition** is the set of benefits or values it promises to deliver to customers to satisfy their needs. It is actually the answer of customer's question: 'Why should I buy your product?'
- **Value and satisfaction: Value** can be defined as a ratio between what the customers get and what they give in return. The customers gets benefit and assumes costs. Value = Benefits / Costs. Marketers' concern should be to raise the value in the minds of the customers. When value of the products or services is high, customers are willing to pay more for the products. Thus;

$$\text{Value} = \frac{\text{Functional Benefit} + \text{Emotional Benefit}}{\text{Monetary costs} + \text{Time costs} + \text{Energy costs} + \text{Psychic costs}}$$

- **Customer satisfaction** is the extent to which a product's perceived performance matches a buyer's expectation. If performance matches expectation level, the customer becomes satisfied but if the product's performance falls short of expectations, the customer will be dissatisfied. If performance exceeds expectation, the customer will be highly satisfied or delighted.
- **Exchanges and Transactions: Exchange:** Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is defined as the act of obtaining a desired object from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied:

✓ There are at least two parties

- ✓ Each party has something that might be of value to the other party
- ✓ Each party is capable of communication and delivery
- ✓ Each party is free to accept or reject the exchange offer
- ✓ Each party believes it is appropriate or desirable to deal with the other party.

- **Transaction:** If exchange is the core concept of marketing, transaction is the marketing's unit of measurement. Two parties are engaged in exchange if they are negotiating- trying to arrive at mutually agreeable terms. When an agreement is reached, we say the transaction takes place. Thus, a **transaction** is a trade of values between two or more parties. When the exchange is made, it results into transaction. A transaction involves several dimensions:
    - at least two things of value
    - agreed-upon conditions
    - a time of agreement and
    - a place of agreement.
- **Relationships and Networks:** Transaction marketing is part of a larger idea called relationship marketing. *Relationship marketing* aims to build long-term mutually satisfying relations with key parties —customers, suppliers, distributors—in order to earn and retain their long-term preference and business. Effective marketers accomplish this by promising and delivering high-quality products and services at fair prices to the other parties over time.Relationship marketing builds strong economic, technical, and social ties among the parties. It cuts down on transaction costs and time. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A ***marketing network*** consists of the company and its supporting *stakeholders* (customers, employees, suppliers, distributors, university scientists, and others) with whom it has built mutually profitable business relationships.
- **Market:** From the view point of modern marketing, market doesn't stand for a place where buyers and sellers gathered to buy or sell goods. A market is the set of actual and potential buyers. More specifically, a market is an arrangement of all customers who have needs that may be fulfilled by an organization's offerings. The size of a market depends of the number of people who exhibit the need, have resources to engage in exchange and are willing to offer these resources in exchange for what they want. The key customer markets can be: Consumer market, Business Market, Global Market and Non-profit and Government market.

  Now marketers view the sellers as the industry and the buyers as the *market.* The sellers send goods and services and communications (ads, direct mail, e-mail messages) to the market; in return they receive money and information (attitudes, sales data). The inner loop in the diagram in Figure 1-1 shows an exchange of money for goods and services; the outer loop shows an exchange of information.

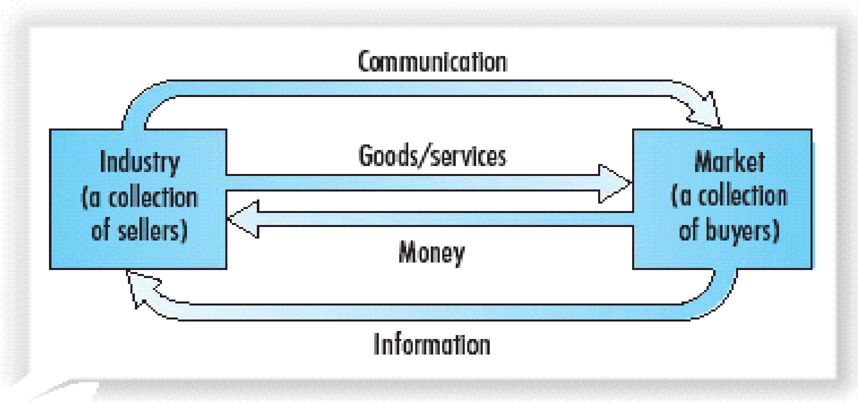


Figure 2: Marketing Communication System

- **Marketing Channels:** Marketing channels means the parties that help the company to promote, sell and distribute its goods to final buyers**.** To reach a target market, the marketer uses three kinds of marketing channels:
    - ✓ **Communication channels:** deliver and receive messages form target buyers and include newspapers, magazines, radio, television, mail, telephone and the internet.
    - ✓ **Distribution channels:** The marketers use this channel to display, sell or deliver the physical products or services to the buyer or user. They include distributors, wholesalers, retailers and agents.
    - ✓ **Service channels:** The marketer also uses service channels to carry out transaction with potential buyers. Service channels include warehouses, transportation companies, banks and insurance companies that facilitate transaction.
- **Segmentation, Target market and Positioning: Market Segmentation** means dividing a market into smaller groups of buyers on the basis of different needs, characteristics or behavior. Market segments can be identified by examining geographic, demographic, psychographic and behavioral differences. The marketer then decides which segments present the greatest opportunity which is its **target market**. For each chosen target market, the firm develops a market offering. The offering is **positioned** in the minds of the target buyers as delivering some central benefits. Thus, product positioning is the way a product occupies a place in the minds of the customers relative to competing products. Like, Volvo, positions its car as the safest a customer can buy, where Ford positioned on economy and Mercedes and Cadillac positioned on Luxury.

- **Supply Chain:** It is the channel stretching from raw materials to components to final products that are carried to final buyers. The supply chain of women's' purse starts with hides and moves through tanning, cutting, manufacturing, and the marketing channels to bring to bring products to final customers. This supply chain represents a *value delivery system.* Each company captures only a certain percentage of the total value generated by the supply chain. When a company acquires competitors or moves upstream or downstream, its aim is to capture a higher percentage of supply chain value.
- **Competition:** Competition includes all the actual and potential rival offerings and substitutes a buyer might consider. There are several possible level of competition:
    - ✓ **Brand competition**: A company sees its competitors as other companies that offer similar products and services to the same customers at similar prices. Volkswagen might see its major competitor as Toyota, Honda and other manufacturers of medium period automobiles. It would not see itself to compete with Mercedes or Hyundai.
    - ✓ **Industry competition:** A company sees its competitors as all companies that make the same product or class of products. Volkswagen would see itself competing against all other automobile manufacturers.
    - ✓ **Form competition**: A company sees its competitors as all companies that manufacture products that supply the same service. Volkswagen might see itself as competing against not only other auto mobile but also against manufacturers of motor cycle, bicycles and trucks.
    - ✓ **Generic competition:** A company sees its competitors as all companies that compete for the same consumer dollars. Volkswagen might see itself competing with companies that sell major consumer durables, foreign vacations and new homes as substitutes of spending on a Volkswagen.
- **The marketing program and marketing mix: A marketing program** consists of numerous decisions on the mix of marketing tools to use for their target market.

  The **marketing mix** is the set of marketing tools the firm uses to pursue its marketing objectives in the target market. McCarthy classified these tools into four broad groups that he called the four P's of marketing: product, price, place and promotion.

    - ✓ Product: Product means the combination of goods and services that the company offers to the target market.
    - ✓ Price: Price is the amount of money customers have to pay to obtain the product.
    - ✓ Place: Place includes company activities that make the product available to target consumers.

- ✓ Promotion: Promotion means the activities that communicate the merits of the product and persuade target customers to buy it.

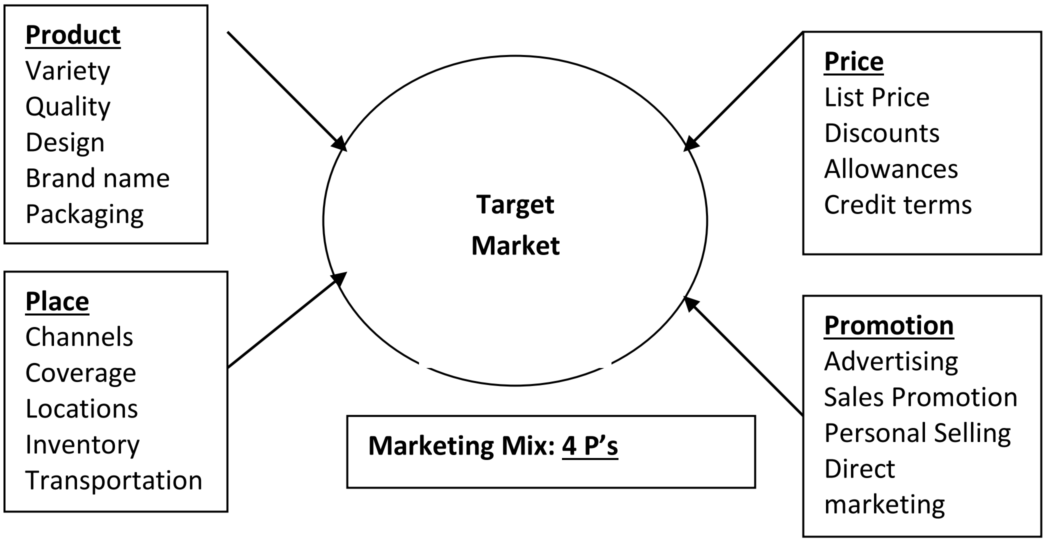


Figure 3 The Four P Components of the Marketing Mix

Four P's represent the sellers view of the marketing tools available for influencing buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit. Robert Lauterbom suggested that the seller's four P's corresponded to the customer's four C's.

- ✓ **Four P's** **Four C's**
- ✓ Product -------------- Customer solution
- ✓ Price -------------- Customer cost
- ✓ Place -------------- Convenience
- ✓ Promotion ---------- Communication

The latest way to view four P's from buyers' perspective is **SIVA** which stands for

- ✓ **Solution**: How can I get a solution of my problem? (Represents the product)
- ✓ **Information**: Where can I learn more about it? (Represents promotion)
- ✓ **Value**: What is m total sacrifice to get this solution? (Represents Price)
- ✓ **Access:** Where can I find it? (Represents place).

Extended Marketing Mix (3 Ps): Now a day's three more Ps have been added to the marketing mix namely People, Process and Physical Evidence. This marketing mix is known as extended marketing mix.

People:- All people involved with consumption of a service are important. For example workers, management, consumers etc Process:- Procedure, mechanism and flow of activities by which services are used. Physical Evidence:- The environment in which the service or product is delivered, tangible are the one which helps to communicate and intangible is the knowledge of the people around us.

1.6.1 <u>Demand Management in Marketing :</u>

Marketers face different market conditions which are related to different states of demand. Especially the pricing strategy largely depends on the variability of demand. According to Kotler, the eight major states of demand are:

- ✓ **Negative Demand:** A market is in a state of negative demand if a major part of the market dislikes the product and may even pay a price to avoid it. The marketing task is to analyze why the market dislikes the product and whether a marketing program consisting of product redesign, lower prices and more positive promotion can change the market beliefs and attitudes. For example: vegetarians have a negative demand for meat, people in general have negative demands for vaccinations, dental work or surgery.
- ✓ **No Demand**: Target customers may be unaware of or uninterested in the product. The marketing task is to find ways to connect the benefits of the product with the person's natural needs and interests. For example: the products that have usually no value to people, like a newspaper published in last week. Or, any products that have value but not in a particular market, like snowmobiles in areas of warm climate.
- ✓ **Latent Demand**: Many consumers may share a strong need that cannot be satisfied by any existing product. The marketing task is to measure the size of the potential market and develop effective goods and services that would satisfy the demand. Like vaccinations of HIV or harmless cigarettes.
- ✓ **Decline Demand**: Every organization, sooner or later, faces declining demand for one or more of its products. The marketing task is to reverse the declining demand through creative remarketing of the product. Like: the demands for compact disks (CD) are declining now a day.
- ✓ **Irregular Demand:** Many organizations face demand that varies on a seasonal, daily or even hourly basis, causing problems of idle or overworked capacity. The marketing task, called synchro-marketing, is to find ways to alter the same pattern of demand through flexible pricing, promotion and other incentives.
- ✓ **Full Demand**: Organizations face full demand when they are pleased with their volume of business. The marketing task is to maintain the current

level of demand in the face of changing customer preferences and increasing competition. The organization must maintain or improve its quality and continually measure consumer satisfaction to make sure it is doing a good job.

- ✓ **Overfull Demand:** Some organizations face a demand level that is higher than they can or want to handle. The marketing task, called demarketing, requires finding ways to reduce the demand temporarily or permanently. General demarketing seeks to discourage overall demand and consists of such steps as raising prices and reducing promotion and service. Selective demarketing consists of trying to reduce the demand coming from those parts of the market that are less profitable or less in need of the product. Demarketing aims not to destroy demand but only to reduce its level temporarily or permanently. For example : The campaign in our country that insist people to take potatoes as replacement of rice.
- ✓ **Unwholesome Demand:** Unwholesome products will attract organized efforts to discourage their consumption. The marketing task is to get people who like something to give it up, using such tools as fear messages, price hikes, and reduced availability. Like books and film piracy, inhaling drugs and so on.

1.7 MARKETING MANAGEMENT PHILOSOPHIES:

Marketing management is the carrying out the task to achieve desired exchanges with target markets. Marketing activities should be carried out under a well thought out philosophy of efficiency, effectiveness and social responsibility. The philosophies are the guidance for marketing efforts. It emphasizes on the weight that should be given to the interests of the organizations, customers and society. There are some concepts under which organizations conduct their marketing activities. These are:

- ✓ **Production Concept**
- ✓ **Product Concept**
- ✓ **Selling Concept**
- ✓ **Marketing Concept**
- ✓ **Societal Marketing Concept**
- ✓ **Holistic Concept**

1.7.1 Production Concept: It holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency that means high production efficiency, low costs and mass distribution. This concept is still useful in two types of situations, when the demand exceeds the supply and when the product’s cost is too high and improved productivity is needed to bring it down. It is used when a company wants to expand the market. Managers assume that consumers are primarily interested in product availability and low cost.

1.7.2 Product Concept: It holds the idea that consumers will favor products that offer the most quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.

- ✓ Focuses on making superior product and improving them.
- ✓ buyers admire well-made products and can evaluate quality and performance.
- ✓ Product concept can lead to marketing myopia (that means lack of foresight or long-term view regarding the product decision).

1.7.3 Selling Concept: It holds the idea that consumers will not buy enough of the organization's products unless the organization undertakes a large-scale selling and promotion effort. This concept is typically practiced with unsought goods, those that buyers do not normally think of buying, such as encyclopedias or insurance. Most firms practice the selling concept when they have over capacity. This concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales.

- ✓ Consumer typically show buying inertia/resistance & must be coaxed into buying.
- ✓ To sell what they make rather than make what market wants.

1.7.4 Marketing Concept: It holds the idea that achieving organizational goals depend on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The main task for marketers not to find the right customers for the product, but the right products for the customers.

It can be expressed in many ways:

- ✓ Marketer balance creating more value for customers against making more profits.
- ✓ Marketing concept rest on four pillars: a) Target market b) Customer needs c) Integrated marketing d) Profitability.
- ✓ Love the customer not the product
- ✓ Putting people first.

1.7.5 Societal Marketing Concept:

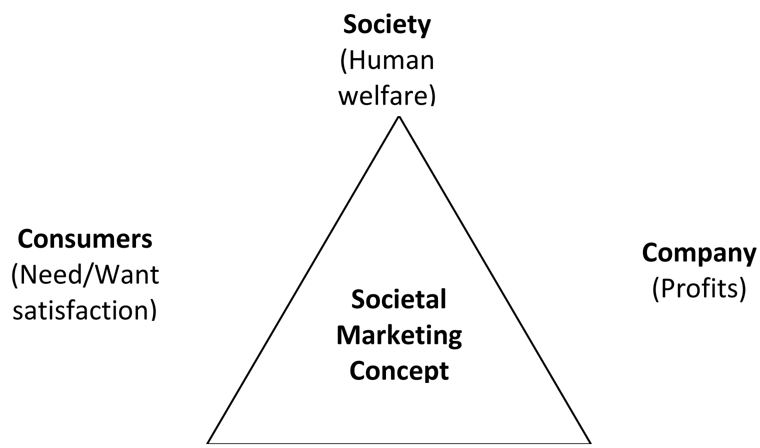


Figure: 5 Societal Marketing Concepts

It holds the idea that the organization should determine the needs, wants and interests of target markets and deliver the desired satisfactions more effectively and efficiently than do competitors in a way that maintains or improves the consumer's and society's well being. This concept calls on marketers to balance three considerations in setting their marketing policies: company profits, consumer wants and society's interests. It emphasizes on both the short run wants and long run welfare of consumers.

1.7.6 Holistic Concept: this is the most recent concept of marketing which is based on the development, design and implementation of marketing programs processes and activities from a broad integrated perspective. It is the integration of internal marketing, integrated marketing, relationship marketing and performance marketing concept.

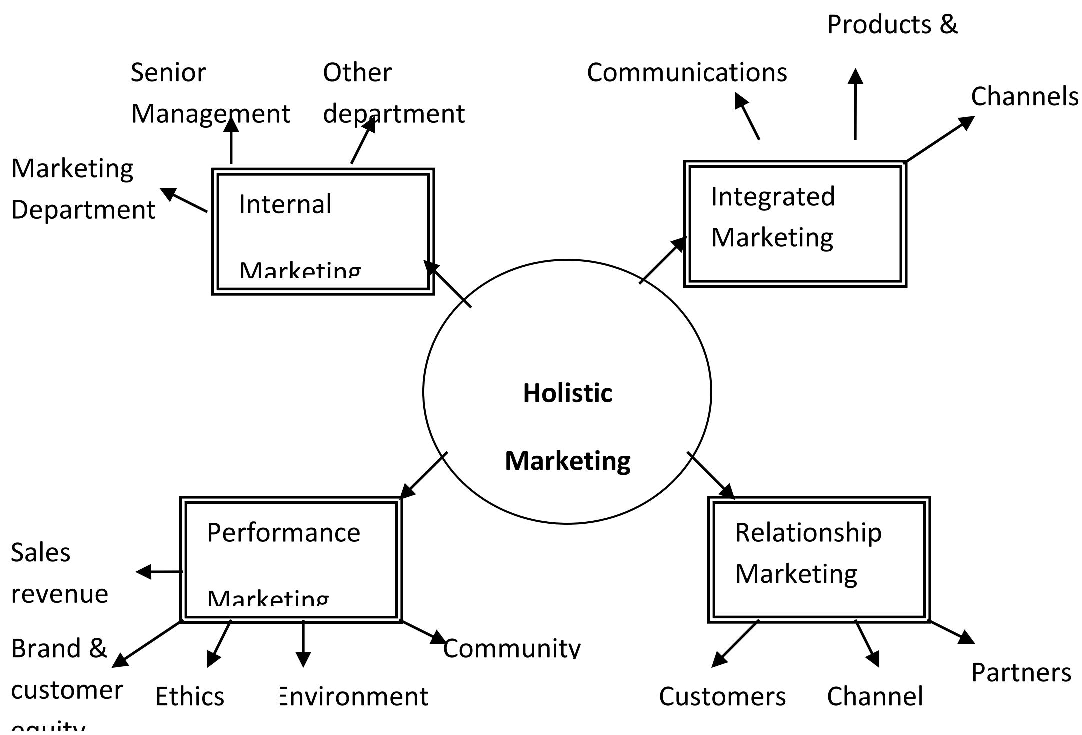


Figure 6: Holistic Marketing Dimensions

(a) Internal Marketing Concept: This concept holds the idea to satisfy the internal people or employees within the organization, so that they work for the satisfaction of the customers. The first step to satisfy the customers is to satisfy the internal people first or to motivate them first.

(b) Integrated Marketing Concept: It refers to an approach where all the departments of the organization work in a coordinated manner to support and serve the customers. Any single section cannot serve the customers without the help of other sections. The customer's satisfaction is achieved when all the departments have the common goals and intention to serve the customers.

(c) Relationship Marketing Concept: It refers the long-term relationship with the customers. It emphasizes on creating, maintaining and developing a long term value laden or value based relationship with the target customers benefits and costs.

(d) Performance marketing: Holistic marketing incorporates performance marketing and understanding the returns to the business from marketing activities and programs as well as their legal, ethical, social, and environmental effects. Performance marketing thus includes: Financial accountability and Social responsible marketing.

1.8 MARKETING IN ECONOMIC DEVELOPMENT PROCESS

Marketing has acquired an important place for the economic development of the whole country. It has also become a necessity for attaining the object of social welfare.

As a result of it, marketing is considered to be the most important activity in a business enterprise while at the early stage of development it was considered to be the last activity. For convenience, the importance of marketing may be explained as under:

- ✓ **Delivery of standard of living to the society**: A society is a mixture of diverse people with diverse tastes and preferences. Modern marketing always aims for customer satisfaction. So, main liability of marketing is to produce goods and services for the society according to their needs and tastes at reasonable price. Marketing discovers needs and wants of society, produces the goods and services according to these needs creates demand for these goods and services. They go ahead and promote the goods making people aware about them and creating a demand for the goods, encouraging customers to use them. Thus, it improves the standard of living of the society.

- ✓ **Decrease in distribution cost**: Second important liability of marketing is control the cost of distribution. Through effective marketing the companies can reduce their distribution costs to a great extent. Decrease in cost of distribution directly affects the prices of products because the cost of distribution is an important part of the total price of the product.

- ✓ **Increasing employment opportunities**: Marketing comprises of advertising, sales, distribution, branding and many more activities. So the development of marketing automatically gives rise to a need for people to work in several areas of marketing. Thus the employment opportunities are born. Also successful operation marketing activities requires the services of different enterprises and organisation such as wholesalers, retailers, transportation, storage, finance, insurance and advertising. These services provide employment to a number of people.
- ✓ **Protection against business slump:** Business slump cause unemployment, slackness in the success of business and great loss to economy. Marketing helps in protecting society against all these problems.
- ✓ **Increase in national income:** Successful operation of marketing activities creates, maintains and increases the demand for goods and services in society. To meet this increased demand the companies need to increase the level of production in turn raising their income. This increase, in turn, increases the national income. Further effective marketing leads to exports adding to the national income. This is beneficial to the whole society.

1.9 Marketing Environment: Competition represents only one force in the environment in which all marketers operate. The overall marketing environment consists of the task environment and the broad environment.

The task environment includes the immediate actors involved in producing, distributing, and promoting the offering, including the company, suppliers, distributors, dealers, and the target customers. Material suppliers and service suppliers such as marketing research agencies, advertising agencies, Web site designers, banking and insurance companies, and transportation and telecommunications companies are included in the supplier group. Agents, brokers, manufacturer representatives, and others who facilitate finding and selling to customers are included with distributors and dealers. The broad environment consists of six components: demographic environment, economic environment, natural environment, technological environment, political-legal environment, and social-cultural environment. These environments contain forces that can have a major impact on the actors in the task environment, which is why smart marketers track environmental trends and changes closely.

According to **Philip Kotler**, “A company’s marketing environment consists of the internal factors & forces, which affect the company’s ability to develop & maintain successful transactions & relationships with the company’s target customers”.

Marketing Environment involves forces that directly or indirectly influence an organisation’s capability to market its product successfully.

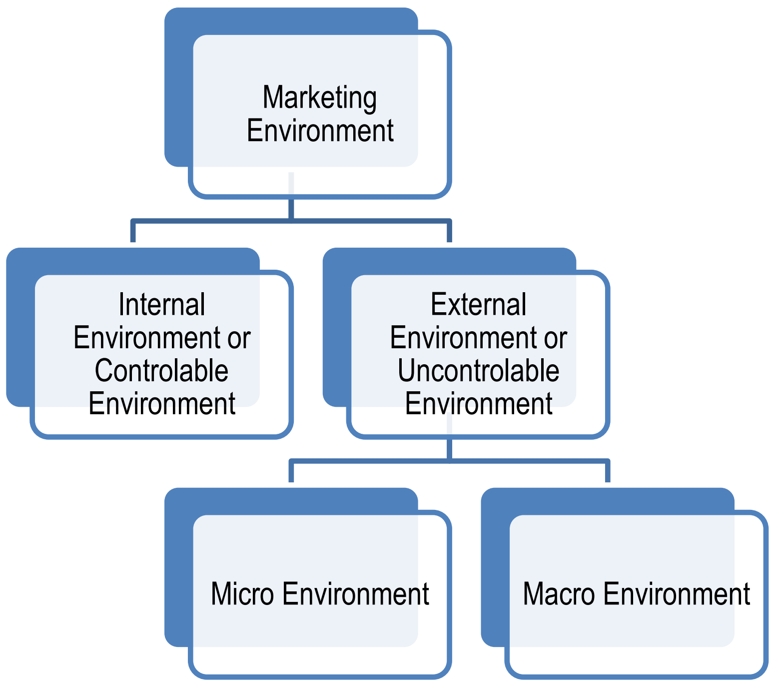


Figure 7: Components of Marketing Environment

1.9.1 Internal Marketing Environment or Controllable Factors

Internal Environment is generally audited by applying 5 Ms i.e.

- Men
- Money
- Machinery
- Markets
- Materials

The internal marketing environment consists of all factors that are internal to the organisation like:

- Company`s mission, vision and business objectives

- Company Culture
- Company image and Goodwill
- Marketing Strategy
- Technical Capacity
- Managerial Skills and Abilities
- Structure and Processes
- Finance and Sales force
- Production and Research
- Internal Processes and Procedures
- Allocation of responsibilities
- Resource availability
- Attitude of stakeholders
- Organisation culture
- Human Resources – HR department, Operations department, Accounting and Finance departments, Research and Design

1.9.2 The External Environmental Factors may be classified as:

- Internal Factor
- External Factor

External Factors may be further classified into:

External Micro Factors & External Macro Factors

Company's Internal Environmental Factors:

A Company's marketing system is influenced by its capabilities regarding production, financial & other factors. Hence, the marketing management/manager must take into consideration these departments before finalizing marketing decisions. The Research & Development Department, the Personnel Department, the Accounting Department also have an impact on the Marketing Department. It is the responsibility of a manager to company-ordinate all department by setting up unified objectives.

1.9.2.1 External Micro Factors:

- ✓ **Suppliers:** They are the people who provide necessary resources needed to produce goods & services. Policies of the suppliers have a significant influence over the marketing manager's decisions because, it is laborers, etc. A company must build cordial & long-term relationship with suppliers.

- ✓ **Marketing Intermediaries:** They are the people who assist the flow of products from the producers to the consumers; they include wholesalers, retailers, agents, etc. These people create place & time utility. A company must select an effective chain of middlemen, so as to make the goods reach the market in time. The middlemen give necessary information to the manufacturers about the market. If a company does not satisfy the middlemen, they neglect its products & may push the competitor's product.
- ✓ **Consumers:** The main aim of production is to meet the demands of the consumers. Hence, the consumers are the center point of all marketing activities. If they are not taken into consideration, before taking the decisions, the company is bound to fail in achieving its objectives. A company's marketing strategy is influenced by its target consumer. Eg: If a manufacturer wants to sell to the wholesaler, he may directly sell to them, if he wants to sell to another manufacturer, he may sell through his agent or if he wants to sell to ultimate consumer he may sell through wholesalers or retailers. Hence each type of consumer has a unique feature, which influences a company's marketing decision.
- ✓ **Competitors:** A prudent marketing manager has to be in constant touch regarding the information relating to the competitor's strategies. He has to identify his competitor's strategies, build his plans to overtake them in the market to attract competitor's consumers towards his products.

Types of Competition

Pure Competition: Numerous competitors offer undifferentiated products. No buyer or seller can exercise market power.

Monopolistic Competition: Numerous competitors offer products that are similar, prompting the competitors to strive to differentiate their product offering from others.

Oligopoly: A small number of competitors offer similar, but somewhat differentiated, products. There are significant barriers to new competitors entering the market.

Monopoly: There is only one supplier and there are substantial, potentially insurmountable, barriers to new entrants.

Monopsony: The market situation where there is only one buyer.

Company faces three types of competition:

a) **Brand Competition:** It is a competition between various companies producing similar products. Eg: The competition between BPL & Videcon companies.

b) **The Product Form Competition:** It is a competition between companies manufacturing products, which are substitutes to each other Eg: Competition between coffee & Tea.

c) **The Desire Competition:** It is the competition with all other companies to attract consumers towards the company. Eg: The competition between the manufacturers of TV sets & all other companies manufacturing various products like automobiles, washing machines, etc.

Hence, to understand the competitive situation, a company must understand the nature of market & the nature of customers.

- ✓ **Public:** A Company's obligation is not only to meet the requirements of its customers, but also to satisfy the various groups. A public is defined as "any group that has an actual or potential ability to achieve its objectives". The significance of the influence of the public on the company can be understood by the fact that almost all companies maintain a public relation department. A positive interaction with the public increase its goodwill irrespective of the nature of the public. A company has to maintain cordial relation with all groups, public may or may not be interested in the company, but the company must be interested in the views of the public.

Public may be various types. They are:

i. **Press:** This is one of the most important group, which may make or break a company. It includes journalists, radio, television, etc. Press people are often referred to as unwelcome public. A marketing manager must always strive to get a positive coverage from the press people.

ii. **Financial Public:** These are the institutions, which supply money to the company. Eg: Banks, insurance companies, stock exchange, etc. A company cannot work without the assistance of these institutions. It has to give necessary information to these public whenever demanded to ensure that timely finance is supplied.

iii. **Government:** Politicians often interfere in the business for the welfare of the society & for other reasons. A prudent manager has to maintain good relation with all politicians irrespective of their party affiliations. If any law is to be passed, which is against the interest of the company, he may get their support to stop that law from being passed in the parliament or legislature.

iv. **General Public:** This includes organisations such as consumer councils, environmentalists, etc. as the present day concept of marketing deals with social welfare, a company must satisfy these groups to be successful.

1.9.2.2 External Macro Environment:

These are the factors/forces on which the company has no control. Hence, it has to frame its policies within the limits set by these forces:

i. **Demography:** It is defined as the statistical study of the human population & its distribution. This is one of the most influencing factors because it deals with the people who form the market. A company should study the population, its distribution, age composition, etc before deciding the marketing strategies. Each group of population behaves differently depending upon various factors such as age, status, etc. if these factors are considered, a company can produce only those products which suits the requirement of the consumers. In this regard, it is said that “to understand the market you must understand its demography”.

ii. **Economic Environment:** A company can successfully sell its products only when people have enough money to spend. The economic environment affects a consumer's purchasing behavior either by increasing his disposable income or by reducing it. Eg: During the time of inflation, the value of money comes down. Hence, it is difficult for them to purchase more products. Income of the consumer must also be taken into account. Eg: In a market where both husband & wife work, their purchasing power will be more. Hence, companies may sell their products quite easily.

iii. **Physical Environment or Natural Forces:** A company has to adopt its policies within the limits set by nature. A man can improve the nature but cannot find an alternative for it.

Nature offers resources, but in a limited manner. A product manager utilizes it efficiently. Companies must find the best combination of production for the sake of efficient utilization of the available resources. Otherwise, they may face acute shortage of resources. Eg: Petroleum products, power, water, etc.

iv. **Technological Factors:** From customer's point of view, improvement in technology means improvement in the standard of living. In this regard, it is said that "Technologies shape a Person's Life".

Every new invention builds a new market & a new group of customers. A new technology improves our lifestyle & at the same time creates many problems. Eg: Invention of various consumer comforts like washing machines, mixers, etc have resulted in improving our lifestyle but it has created severe problems like power shortage.

Eg: Introduction to automobiles has improved transportation but it has resulted in the problems like air & noise pollution, increased accidents, etc. In simple words, following are the impacts of technological factors on the market:

a) They create new wants

b) They create new industries

c) They may destroy old industries

d) They may increase the cost of Research & Development.

v. **Social & Cultural Factors:** Most of us purchase because of the influence of social & cultural factors. The lifestyle, values, believes, etc are determined among other things by the society in which we live. Each society has its own culture. Culture is a combination of various factors which are transferred from older generations & which are acquired. Our behaviour is guided by our culture, family, educational institutions, languages, etc.

The society is a combination of various groups with different cultures & subcultures. Each society has its own behavior. A marketing manager must study the society in which he operates.

Consumer's attitude is also affected by their society within a society, there will be various small groups, each having its own culture.

Eg: In India, we have different cultural groups such as Assamese, Punjabis, Kashmiris, etc. The marketing manager should take note of these differences before finalizing the marketing strategies.

Culture changes over a period of time. He must try to anticipate the changes new marketing opportunities.

Importance of Environmental Analysis:

The marketing Manager needs to be dynamic to deal effectively with the challenges of environment. The business environment is not static and it is changing continuously. The following are the benefits of environment scanning as suggested by various authorities:

- It creates an increased general awareness of environmental changes on the part of management.
- It guides with greater effectiveness in matter relating to the Government.
- It helps in marketing analysis.
- It suggests improvements in diversification and resource allocations.
- It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- It provides a base of objective qualitative information about the business environment that can subsequently be of value in designing the strategies.

- It provides a continuing broad- based education of executives in general, and the strategists in particular.

INDIAN MARKET & ITS ENVIRONMENT

It is difficult to analyze the environmental factors affecting Indian market. Ours is a vast country with various religions, caste, sub-caste, languages, culture, etc. Each of these factors operates at different levels & art different places.

- **Vast Market:** The Indian market is the second largest in the world considering its population. If consumption is considered, it has one of the lowest levels of consumption. Hence, it can be said that majority of the market for various products has been left untapped. Region-wise, the Indian Market can be broadly classified into Four Parts:

  a. Northern Market

  b. Southern Market

  c. Western Market

  d. Eastern Market

- **Rural Market:** Majority of the Indians live in rural areas. Hence, rural markets have a significant influence on the company's marketing strategy

- **Cultural & Religion:** India is a country with many religions each religion has its own culture & most of the Indians are religious. The culture affects the habits of people. Hence, it has to be considered before deciding what is to be sold.

  Eg: Jainism completely prohibits the consumptions of meat. Hence, it is difficult to sell meat where Jains are living

- **Economic Conditions:** India is one of the fastest developing countries. The standard of living is increasing every year. This indicates that the marketing opportunities in our country are vast.

- **Government:** We are following the policy of mixed Economy i.e., Market is neither totally free (Capitalism) nor it is fully controlled (Socialism). The government encourages consumerism & hence he marketers are gradually accepting the marketing concept.

- **Intermediaries:** Our country has two types of distribution system. They are:
  a. Public distribution system, where essential commodities are directly sold to the consumers through government agencies.
  b. Open distribution system, where the products are sold in the open market. The open distribution system in our country is the traditional one. The chain of distribution is once of the most efficient chains of the world. Wholesalers, retailers, brokers, etc are the intermediaries operating in our country.
- Press: Press in our country is not as sophisticated as in the developed countries. Most of the newspapers & magazines are controlled by big business houses.
- Technology: Most of the company/companies in our country import the technology from other countries. Investment in research is one of the lowest in the world.

Rural Marketing Challenges & Opportunities:

Majority of Indians live in villages & most of them are farmers. Rural markets in our country are changing rapidly. Many companies have not tried to find out the needs of rural consumers. Hence, many rural markets have been left untapped.

Problems of Rural Marketing:

About 80% of villages do not have proper infrastructural facilities like transportation, communication, etc. People in the rural market purchase in small quantities; usually, they behave as group. Hence, it is difficult to influence their behavior to deliver a product directly to the rural consumers; a company has to incur double the cost of what it incurs in case of urban consumers.

Illiteracy among villagers makes it difficult to promote products. Most of them purchase because of their belief.

UNIT II MARKETING PLANNING

Structure

2.1 Identification of market
2.2 Market Segmentation
2.3 STP Approach
2.4 Market Information System (MIS)
2.5 Market Research
2.6 Consumer Behaviour
2.7 Demand Forecasting

2.1 IDENTIFICATION OF MARKET

2.1.1 Introduction to Market:

The term market has many meanings and connotations. Originally the term market stood for the place where buyers and sellers gathered to exchange their goods, such as a village bazaar. Another popular way of describing a market is in the context of a particular place where several shops or buyers or users may be located. For example, Connaught Place is considered a market in New Delhi. Economists use the term market to refer to a collection of buyers and sellers who transact a particular product category or a range of products such as computer market, two-wheelers market, car market, etc. But marketers do not agree with economists as they consider the sellers as constituting the industry and the buyers as constituting the market.

From the marketing point of view it can be defined as group of people or organisations with needs to satisfy, money to spend, and the willingness to spend it. It can be identified by Lome common characteristic, interest, or problem; use a certain product to advantage; and be reached through some medium. However, within a total market there is always some diversity among the buyers. The size of the market depends on the number of people who exhibit the need, have resources to engage in exchange and are willing to offer these resources in exchange for what they want. Within the sane general market there w e groups of customers with different needs, buying preferences, or product-use behavior. In some markets these differences are relatively minor, and the primary benefit sought by consumers can be satisfied with a single marketing mix. In other markets customers are unwilling to make the compromises necessitated by a single marketing mix. As a result different marketing mixes are required to reach the entire market. Whether it is large or small, the group of consumers (people or organizations) for whom the seller designs a particular marketing mix is a target market. Thus a target market refers to a group of people or organizations at which a firm directs a marketing program with a specific marketing mix. For example, Malvti Udyog, the market leader in passenger car market, focuses on one target market for its Maruti 800, for Zen it has another target market, for Esteem il considers yet another target market, and for Baleno it is targeting a different target market. Therefore, a company may have different target markets for its various brands in the same general market in a product category. For each target market the company has to develop distinct marketing program if it wants to succeed in that target market.

2.1.2 Types of Market

We as consumers, buy various goods and services for our own consumption or use in our daily life. 111the same way business enterprises buy innumerable goods and services for the purpose of using them in manufacturing process, helping in manufacturing process, for running the business, and reselling them to the final consumers. For proper understanding of the markets, therefore, it is essential to classify the markets 011 the basis of the type of buyer group. As such, markets are classified into two broad categories. They are: consumer markets and organizational markets. Let us study these two types of markets in detail.

- **Consumer Markets:** Here consumers mean all the individuals and households who buy goods and services for their personal or household consumption. Thus the consumer market consists of all the individuals and households who buy or acquire goods and services for their own personal or household use. They buy strictly to satisfy their non-business personal needs and wants. For example, you purchase items such as toothpaste, soap, biscuits, sweets etc., for your personal consumption or your family consumption. But when an individual or organization buys goods for resale or for further production, such an individual o r organization is not treated as belonging to the consumer market.

  These ultimate consumers are large in numbers and spread throughout the country. They also vary tremendously in age, income, educational level, tastes, preferences, etc. These factors are cultural, social, personal, economic and psychological characteristics of the buyer. You may also recall while buying different products and services a buyer typically goes through five stages of buying decision process. These five stages are: problem recognition or need arousal, information search, evaluation of alternatives, actual purchases decision and post-purchase behavior.

- **Organizational Markets:** It is generally considered that business organizations engage in selling their products and services to their consumers. This is true, but they also buy vast quantities of raw materials, manufactured components, plants and equipments, supplies, and business services. Thousands of business, institutional, and government organizations represent a huge, lucrative buying market for goods and services purchased from both domestic and international suppliers. In fact, organizational markets involve many more lopes and items than do consumer markets.

  Today most of the large companies, in addition to selling their products to the consumer market, sell to other organizations. Many industrial goods manufacturing companies sell most of their products to other business organizations. Even large consumer goods manufacturers engage in organizational marketing.

  Types of Organizational Market:

  ✓ **The Industrial market:** It is also called producer or business market. It consists of all the individuals and organizations that buy or acquire goods and services that enter into the production of other products and services that are sold, rented or supplied to others. The major industries making up the organizational market are agriculture, forestry and fisheries; mining; manufacturing; construction; transportation; communication; public utilities; banking; finance, and insurance; distribution; and services. For example, Maruti Udyog purchases large number of raw materials, component parts, machinery, and supplies. After manufacturing different brands of passenger cars it sells to final consumers and organizations. Within the industrial market, customers tend to be larger and fewer than in consumer markets. But even here, great variations are found. First, the number of industrial firms making up the market varies from one (monop sony), to few (oligopoly), to many. Secondly, we can also distinguish between industrial markets made up of only large films, or a few large and many small firms, or only small firms.

- ✓ **The Reseller Market:** It consists of all the individuals and organisations that acquire goods for the purpose of reselling or renting them to others at a profit. The basic activity of resellers-unlike industrial or business market-is buying products from manufacturing organizations and reselling these products essentially in the same form to the resellers' customers. In economic terms resellers create time, place and possession utilities rather than form utility. Resellers also buy many goods and services for use in operating their businesses-items such as office supplies and equipment, warehouses, materials-handling equipment, legal services, and electrical services. In the case of the resellers like small wholesale and retail organisations, buying are done by one or a few individuals In large reseller's organizations, buying is done by a buying committee made up of experts on demand, supply, and prices. One of the major problems a reseller faces is to determine its unique assortment-the combination of products and services that it will offer to its customers.
- ✓ **The government market:** A government market is a market where the consumers are federal, state, and local governments. Governments purchase both goods and services from the private sector. Governments buy the same types of products and services as private sector consumers, plus some more exotic products such as aircraft carriers, fighter jets, tanks, spy satellites, and nuclear weapons. A growing trend in the past decades has been the outsourcing of traditional government services to private firms, such as prisons. Government purchasing processes are different from those in the private sector of the industrial or business market. A unique feature of the government buying is the competitive bidding system. Much government procurement, by law, must be done on a bid basis. That is, the government agency advertises for bids using a standard format called a request for proposal (RFP), or

quotation states specifications for the intended purchase. Then it must accept the lowest bid that meets these specifications. An alternative to this system, the government may sometimes negotiate a purchase contract with an individual supplier. This system is used when government wants to purchase a specialized product that has no comparable products on which to base bidding specifications. In India, most of the government purchases for standard products are based on the rates approved by the Directorate General of Supplies and Disposal (DGS&D). From time to time DGS&D decides the rates of various products and services which are needed by governmental agencies. Despite the vast opportunities available from the government market, many companies are reluctant to sell because they are intimidated by the red tape.

- ✓ ***The Institutional Market:*** This is also known as non-profit organization or "non business" business market. This market consists of various non-profit institutions other than the government market. This includes: educational institutions (schools, colleges, universities, and research laboratories), hospitals, nursing homes, religious institutions, etc. Many non-profit institutions have low budgets and captive clienteles. For example, many universities, colleges and governmental hospitals work on funds provided by the government and in most of the cases these are limited. Therefore, those companies who wish to sell to this market should keep i n mind the inherent budget constraints.

*2.*1.3. Characteristics of Organizational Market

After discussing various types of organizational market w e now describe briefly the distinguishing characteristics of organizational market which make it different fro consumer market. These characteristics are more or less applicable to all types of organizational market, but these are more applicable to industrial or business market. These are:

Fewer Buyers: Normally organizational buyers are less in number compared with consumers. Therefore, an industrial marketer normally deals with fewer buyers than does the consumer marketer. For instance, if a MRF a leading tyres manufacturing company wants to sell its tyres in the industrial market, it may concentrate on one of the big automobile manufacturing concerns. When the same company wishes to sell tyres to consumers (vehicle owners) it has to contact lakhs of vehicle owners.

Larger Buyers: Organizational buyers normally require large quantities of goods whereas personal consumers require smaller quantities. Thus industrial buyers are large scale buyers. Even among industrial buyers a few large buyers normally account for most of the purchasing. In such industries as automobiles, telephone, soaps, cigarette, synthetic yarn etc., a few top manufacturers account for more than a substantial part of total production. Such industries account for a major share of raw material bought in the market.

Geographical Concentration: Organizational buyers are mainly concentrated in few places like, Mumbai, Kolkata, Delhi, Chennai, Bangalore, Pune, Hyderabad, etc., whereas consumers are spread throughout the country. For example, most of the companies in textile sector are located in the western belt of India. Because of this geographical concentration of industrial markets, the marketers need not establish distribution network throughout the country. This helps in reducing the cost of distribution.

Derived Demand: The demand for industrial goods is ultimately derived from the demand for consumer goods. For instance, Maruti Udyog Ltd. purchases steel and produces cars for the consumer market. If the consumer demand for cars drops, so will the demand for the steel and all the other products used to make cars. Therefore, industrial marketers sometimes promote their products directly to final consumers to increase business demand. For example, Intel Corporation, the largest supplier of computer processors engages in mass media advertising quite often.

Inelastic Demand: Demand for many industrial goods and services is inelastic and not much affected by price changes, especially in the short run, because producers cannot make quick changes in production schedules. For example, footwear manufacturers will not buy much more leather if the prices of leather fall. Nor will they buy less leather if the prices rise unless they can find satisfactory substitutes. In case of price increase of industrial product such as key raw material, the manufacturers will increase the price of the finished product. In this way they pass on the price increase to the ultimate consumers.

Fluctuating Demand: The demand for industrial goods and services tends to be more volatile than for consumer goods and services. This is especially true of the demand for new plant and equipment. A given percentage increase in consumer demand can lead to a much larger percentage increase in the demand for necessary plant and equipment to produce the additional quantity in order to meet the increased demand. Economists refer to this as the acceleration principle.

Professional Purchasing-: Most of the organisations have professionally trained personnel in the purchasing division. Goods are purchased by these specialists. There are professional journals which provide for the benefit of these professional buyers. Consumers, on the other hand are less trained in the art of careful buying. In industrial purchasing, if the buying decision is complex; it is likely that several persons will participate in the decision-making process. Purchase committee comprising experts and top management are common in the purchase of major goods. In addition to this many of the buying instruments-such as purchase contracts-are not found in consumer buying.

Close Supplier-Customer Relationship: With the smaller customer base and the importance and power of the larger customers, industrial sellers are frequently required to customize their offerings, practices, and performance to meet the needs of individual customers.

Multiple Buying Influences: More people typically influence business buying decisions. Buying committees are common in the purchase of major goods; marketers have to send well trained and experienced sales people and often sales teams to deal with these well-trained buyers

Multiple Sales Calls: With the more people involved in the process, the sales representatives or sales teams from the industrial supplier are required to call many times before getting an order from an industrial buyer. A long period, ranging from a few weeks to few months is required to get an order for major capital equipment from an industrial buyer.

Direct Purchasing: Organizational buyers particularly business buyers often buy directly from manufacturers rather than through intermediaries, especially products that are technically coinplex or expensive.

Reciprocity: Organizational buyers often select suppliers who also in turn buy from them. For example a paper manufacturer who buys chemicals from a chemical company that is buying a considerable quantity of its paper. Even in this reciprocal buying situation the buyer will make sure to get the supplies at a competitive price, of proper quality and service.

Leasing: In case of major and expensive equipment many industrial buyers lease rather than buy in order to conserve funds, get the latest products, receive better service, and gain tax advantages. The lessor often makes more profit and sells to customers who could not afford outright purchase of equipment; there are certain income tax benefits according to Indian Income Tax Act given to both lessor and leasee.

2.2 Market Segmentation:

2.2.1: Concept of Segmentation:

Today companies that sell their products and services to various consumer and industrial markets are aware that they cannot serve to all buyers in the entire market for a specific product or service category. The reason is that buyers in a specific product market are too numerous, too widely spread, and have different needs and buying motives. This is known as heterogeneity or diversity of buyers. For examples, not all consumers who wear pants want to wear jeans. Even those wear jeans some will go for designer's jeans and some go for cheaper jeans. In the same way businesses who use compute s may not want the same amount of memory or speed in computers. Thus rather than to compete in an entire market each company must identify the parts of the market that it can serve in a more meaningful way.

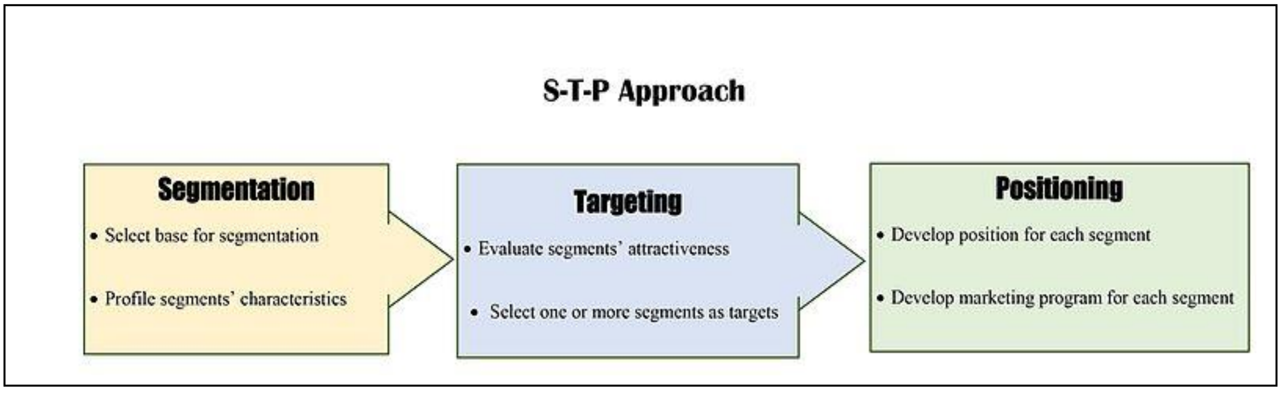
What we are seeing here is that within the same general market there are groups of consumers with different needs, buying preferences, or product-use behavior. In some product markets these differences are relatively minor, and the primary belief it sought by consumers can be satisfied with a single marketing mix. In other product markets these differences are pronounced and consumers are not likely to compromise on single product and other elements of marketing mix. As a result, alternative or multiple marketing mixes are required to reach the entire product market. For example, today in India there are various brands of cars which are serving the "small car market", some are serving "mid-size car market", and some brands of cars are serving "luxury car market". Whether it is large or small, the group of consumers (personal consumers or business buyers) for whom the seller designs and directs a particular marketing mix is a target market.

Mass Marketing: In this marketing practice companies use to produce a single product on a mass scale, distributed and promoted on a mass level. The main advantage that has been advocated for mass marketing is that this will lead to economies of scale to the manufacturers and lower price to the consumers. This practice is also known as "shotgun approach" or market aggregation. In the present market scenario this practice used by the marketers as consumers in most of the markets exhibit differences in terms of buying preferences, needs and product use behaviour. This has made mass marketing difficult in the present times.

Target Marketing: Here the total market is consisting of several smaller segments with differences significant enough that one marketing mix will not satisfy everyone or even a majority in a given product or services, in market. Therefore, a firm here identifies different submarkets or market segments, selects one or more of them, and develops products and marketing mixes to each. This strategy develops a "rifle" approach instead of "shotgun approach".

Selection of a target market (or target markets) is part of the overall process known as S-T-P (Segmentation→Targeting→Positioning). Before a business can develop a positioning strategy, it must first segment the market and identify the target (or targets) for the positioning strategy. This allows to the business to tailor its marketing activities with the needs, wants, aspirations and expectations of target customers in mind. This enables the business to use its marketing resources more efficiently, resulting in more cost and time efficient marketing efforts. It allows for a richer understanding of customers and therefore enables the creation of marketing strategies and tactics, such as product design, pricing and promotion, that will connect with customers' hearts and minds. Also, targeting makes it possible to collect more precise data about customer needs and behaviors and then analyze that information over time in order to refine market strategies effectively.

The first step in the S-T-P process is market segmentation. In this phase of the planning process, the business identifies the market potential or the total available market (TAM). This is the total number of existing customers plus potential customers, and may also include important influencers. For example, the potential market or TAM for feminine sanitary products might be defined as all women aged 14-50 years. Given that this is a very broad market in terms of both its demographic composition and its needs, this market can be segmented to ascertain whether internal groups with different product needs can be identified. In other words, the market is looking for market-based opportunities that are a good match its current product offerings or whether new product/service offerings need to be devised for specific segments within the overall market.



2.2.2: Importance of Segmentation:

Market segmentation being customer-oriented is resemblance with the marketing concept philosophy. In market segmentation, a company first identifies the needs of consumers within a segment and then decides if it is practical to develop a product and marketing mix to satisfy those needs. By practicing market segmentation and a company may obtain the following advantages and benefits.

- By tailoring marketing programs to each market segment, a company can do a better marketing job and can make more efficient use of its marketing resources.
- A small company with limited resources may be in a better position to compete more effectively in one or two small market segments, whereas the same company would be overwhelmed by the competition from bigger companies if it aimed for a major segment.
- A company with effective market segmentation strategy can create a more fine-tuned product or service offering and price it appropriately for the target segment.
- The company can more easily select the most appropriate distribution network and communication strategy, and it will be able to understand its competitors in a better way, which are serving the same segment.
- By developing strong position in a specialized market segments, a medium sized company can grow rapidly.
- Even very large companies with the vast resources at their disposal are abandoning mass marketing strategies and embracing market segmentation as more effective strategy to reach various market segments in broad product market. For example, Hindustan Lever Ltd (HLL), one of the most admired companies, has developed a number of detergent brands to cater to the needs of various segments in detergent market. This has been done by HLL after it faced stiff competition in the 1970s from a sinall and lesser known Nirma Chemicals Ltd, in the form of Nirma brand. As a result of Nirma's onslaught HLL came up with an economical brand named Wheel to cater to the needs of middle class and economy conscious detergent buyers.

Because of these factors and the benefits from the market segmentation most of the companies both in consumer and industrial markets are practicing this strategy. Because of obvious benefits, today not only market segmentation is practiced by the companies manufacturing goods and services but it has also been adopted by retailers. Many marketing experts are of the view that the days of mass marketing have gone and even if some companies are following mass marketing its days are numbered. Therefore, today companies use market segmentation to stay focused rather than scattering their marketing resources.

2.2.3: Bases of Segmentation:

Some of the major bases for market segmentation are as follows:

- Geographic Segmentation
- Demographic Segmentation
- Psychographic Segmentation
- Behavioristic Segmentation
- Volume Segmentation
- Product-space Segmentation
- Benefit Segmentation.

A large number of variables are used to segment a consumer market. The most common bases for segmenting markets are as follows: Traditional: Geographic, Demographic. Modern: Psychographic, Behaviouristic

2.2.3.1: Geographic Segmentation:

Geographic location is one of the simplest methods of segmenting the market. People living in one region of the country have purchasing and consuming habit which differs from those living in other regions. For example, life style products sell very well in metro cities, e.g., Mumbai, Delhi, Kolkata and Chennai but do not sell in small towns. Banking needs of people in rural areas differ from those of urban areas. Even within a city, a bank branch located in the northern part of the city may attract more clients than a branch located in eastern part of the city.

2.2.3.2: Demographic Segmentation:

Demographic variables such as age, occupation, education, sex and income are commonly used for segmenting markets.

(a) Age: Teenagers, adults, retired.

(b) Sex: Male and female.

(c) Occupation: Agriculture, industry, trade, students, service sector, house-holds, institutions.

(i) Industrial sector: Large, small, tiny.

(ii) Trade: Wholesale, retail, exporters.

(iii) Services: Professionals and non-professionals.

(iv) Institutions: Educational, religions, clubs.

(v) Agriculture and cottage industries.

(d) Income Level: Above Rs. 1 lakh per annum, Rs. 50,000 to Rs. 1 lakh, Rs. 25,000 to Rs. 50,000 per annum, i.e., higher, middle and lower.

(e) Family Life-cycle: Young single, young married no children, young married youngest child under six, young married youngest child over six, older married with children, older married no children under eighteen, older single, etc.

2.2.3.3:. Psychographic Segmentation:

Under this method consumers are classified into market segments on the basis of their psychological make-up, i.e., personality, attitude and lifestyle. According to attitude towards life, people may be classified as traditionalists, achievers, etc.

Rogers has identified five groups of consumer personalities according to the way they adopt new products:

(a) Innovators: These are cosmopolitan people who are eager to try new ideas. They are highly venturesome and willing to assume the risk of an occasional bad experience with a new product.

(b) Early Adopters: These are influential people with whom the average person checks out an innovation.

(c) Early Majority: This group tends to deliberate before adopting a new product. Its members are important in legitimizing an innovation but they are seldom leaders.

(d) Late Majority: This group is cautious and adopts new ideas after an innovation has received public confidence.

(e) Laggards: These are past-oriented people. They are suspicious of change and innovations. By the time they adopt a product, it may already have been replaced by a new one. Understanding of psychographic of consumers enables marketers to better select potential markets and match the product image with the type of consumer using it. For example, women making heavy use of bank credit cards are said to lead an active lifestyle and are concerned with their appearance. They tend to be liberated and are willing to try new things.

Psychographic classification may, however, be an oversimplification of consumer personalities and purchase behaviour. So many factors influence consumers that an early adopter of one product might well be a laggard for some other product and vice versa.

2.2.3.4: Behavioristic Segmentation:

In this method consumers are classified into market segments not the basis of their knowledge, attitude and use of actual products or product attributes.

Any of the following variables might be used for this purpose:

(a) Purchase Occasion: Buyers may be differentiated on the basis of when they use a product or service. For example, air travellers might fly for business or vacation. Therefore, one airline might promote itself as a business flyer while another might target the tourists.

(b) Benefits Sought: The major benefit sought in a product is used as the basis of classify consumers. High quality, low price, good taste, speed, sex appeal are examples of benefits. For example, some air travellers prefer economy class (low price), while others seek executive class (status and comfort).

(c) User Status: Potential buyers may be classified as regular users, occasional users and non-users. Marketers can develop new products or new uses of old products by targeting one or another of these groups.

2.2.3.5: Volume Segmentation:

Consumers are classified light, medium and heavy users of a product. In some cases, 80 per cent of the product may be sold to only 20 per cent of the group. Marketers can decide product features and advertising strategies by finding common characteristics among heavy users. For example, airlines having 'Frequent Flyer' are using user rate as the basis of market segmentation. Generally, marketers are interested in the heavy user group.

But marketers should pay attention to all the user groups because they represent different opportunities. The non-users may consist of two types of people— those who do not use the product and those who might use it. Some may change over time from a non-user to a user.

Those who do not use due to ignorance may be provided extensive information. Repetitive advertising may be used to overcome inertia or psychological resistance. In this way non-users can gradually be converted into users.

2.2.3.6: Product-space Segmentation:

Here the buyers are asked to compare the existing brands according to their perceived similarity and in relation to their ideal brands. First, the analyst infers the latent attributes that consumers are using to perceive the brand. Then buyers are classified into groups each having a distinct ideal brand in mind. The distinctive characteristics of each group are ascertained.

2.2.3.7: Benefit Segmentation:

Consumer behaviour depends more on the benefit sought in product/service than on demographic factors. Each market segment is identified by the major benefits it is seeking. Most buyers seek as many benefits as possible. However, the relative importance attached to individual benefits differs from one group to another. For example, some consumers of toothpaste give greater importance to freshness while other prefer taste or brightness of teeth.

Research studies on benefit segmentation reveal that it is easier to take advantage of existing segment, then to create new segments. As no brand can appeal to all consumers, a marketer who wants to cover the market fully must offer multiple brands.

The following benefit segments have been identified:

(a) The Status Seeker: This group comprises buyers who are very much concerned with the prestige of the brand.

(b) The Swinger: This group tries to be modern and up-to-date in all of its activities.

(c) The Conservative: This group prefers popular brands and large successful companies.

(d) The Rational Man: This group looks for benefits such as economy, value, durability and other logical factors.

(e) The Inner Directed Man: This group is concerned with self-concept, e.g., sense of homour, independence, honesty, etc.

(f) The Hedonist: This group is concerned mainly with sensory benefits.

Marketing experts suggest that benefit segmentation has the greatest number of practical implications than any other method of segmentation.

2.3 : STP Approach:

Segmentation

Segmentation is the breaking down of large markets into sub markets or segments of consumers that are similar in terms of needs wants ad buying habits. The first method of segmenting a market is demographic segmentation. In demographic segmentation factors like age, gender, income, education, occupation, marital status family cycle and ownership of durables are used for determining consumer segments.

Segmentation may also be on a geographic basis, by considering criteria like area type, area density, neighborhood type and region. Geographic segmentation may be done within a country, for a region state, province or neighborhood. The usage patterns of the consumers can also be use to segment the markets. Here, consumers and be classified as heavy users, non-users brand loyal users and switchers or variety seekers.

Segmentation may also be done on the basis of psychographics and lifestyles. By understanding the psychographics a retailer tries to understand the activities, the interests and the opinions of the consumers. An insight into the activities and interests of the consumer gives an idea of the kind of lifestyle followed and the kind of products that would appeal to him. On the other hand, by following benefit segmentation, a retailer would try to understand the benefits that a consumer seeks from a particular product or service and create a product or service accordingly.

While determining a viable market segment, a retailer should take intro consideration the size of that market as it will help estimate the sales. Ideally, for a retailer, the criteria for describing segments should be relevant to a purchase situation. The main benefits of retail segmentation are that it helps the retailer focus on certain segments of the population and gives it a direction for the strategy to be adopted. It aids the quantification of the size of the market and also helps monitor market performance by estimating the market share.

The target Market

After having divided the market into various segments, the retailer now needs to decide on whom he is going to cater to. The consumer segment that he decides to cater to is known as the target market. While selecting a target market he needs to look at the ability of the retail organization to meet the needs of the segment, the size and the future growth potential of the segment the kind of investment that would be required and the kind of profits that could be earned.

Positioning

Now that the target market /s have been finalized a positioning platform needs to be created. Positioning starts with a product a piece of merchandise a service, a company an institution or even person. Positioning is not what is done to the product but what is done to the mind of the prospect. That is, you position the product in the mind of the prospect

The concept of positioning needs to be looked at from the perspective of the environment that it operates in. It is how your product is perceived in the marketplace relative to the competitor. In retail the environments are constantly changing thus the context of the positioning is bound to change. The overall strategy of the firm largely affects the positioning strategy adopted by the retailer. The four main areas that affect the retail positioning strategy:

1) Merchandising strategy
2) The trading style / format strategy
3) Customer service strategy
4) Customer communications strategy

Retailers have to understand the various influences that influence consumer buying behavior. In order to correctly segment the population and thereafter to create a marketing strategy a retailer will have to take in data in various forms and types like demographic and psychographic data, data collected from a survey of household panels, in-store audits and interviews done of customers buying from the store and alternatively not buying form the store. A retailer mat also use data from syndicated studies like a study of the consumers, wardrobe etc.

The significance of each type of data varies with respect to the target audience. For example, the marketing strategy adopted while communicating to teenagers will be different from that adopted while catering to the health conscious or may be the elderly. The positioning platform created by the retailer has to be done after taking all these factors into consideration.

The key to successful retail positioning is that the store must have an identify that has some advantages over competitors and at the same time those advantages must be recognized and valued by the consumers.

Market positioning based on price, product differentiation and service provision, is central to the competitive strategy of multiple retailers. Store image ties have assisted retailers in developing positioning strategies of their outlets, enabling them to differentiate stores in terms of the products prices or services they offer.

The segment target market and the positioning strategy adopted by the retailer dictates the image to be created for a retail store. This in turn, decides the communication mix that the retailer chooses to communicate with the consumers.

2.4 : Marketing Information System (MIS):

2.4.1: Concept of MIS

The Concept and Component of Marketing Information System (MKIS) A marketing information system (MKIS) is defined a set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis.

A marketing information system (MKIS) is a management information system (MIS) designed to support marketing decision making. Jobber (2007) defines it as a "system in which marketing data is formally gathered, stored, analysed and distributed to managers in accordance with their informational needs on a regular basis." In addition, the online business dictionary defines Marketing Information System (MKIS) as "a system that analyzes and assesses marketing information, gathered continuously from sources inside and outside an organization or a store." Furthermore, "an overall Marketing Information System can be defined as a set structure of procedures and methods for the regular, planned collection, analysis and presentation of information for use in making marketing decisions." (Kotler, at al, 2006).

2.4.2: Components of MIS

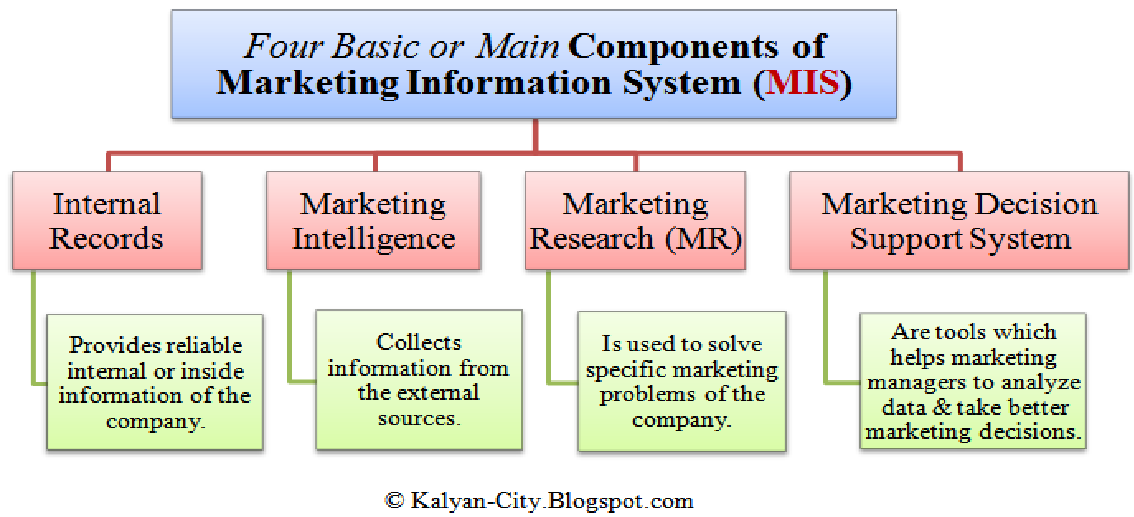
Marketing Information System (MIS) collects, analyses, and supplies a lot of relevant information to the marketing managers. It is a valuable tool for planning, implementing and controlling the marketing activities.

The role of MIS is to identify (find out) what sort of information is required by the marketing managers. It then collects and analyzes the information. It supplies this information to the marketing manager at the right time. MIS collects the information through its subsystems. These subsystems are called **components**.

The four main components of Marketing Information System (MIS) are:

1. Internal Records,
2. Marketing Intelligence,
3. Marketing Research (MR), and
4. Marketing Decision Support System.

The basic components of MIS are depicted and explained below.



1. **Internal records** : The first component of MIS is 'Internal Record'. Marketing managers get lots of information from the internal-records of the company. These records provide current information about sales, costs, inventories, cash flows and account receivable and payable. Many companies maintain their computerized internal records. Inside records help marketing managers to gain faster access to reliable information.
2. **Marketing intelligence** :
   a. The second component of MIS is 'Marketing Intelligence'. It collects information from external sources. It provides information about current marketing-environment and changing conditions in the market. This information can be easily gathered from external sources like; magazines, trade journals, commercial press, so on. This information cannot be collected from the Annual Reports of the Trade Association and Chambers of Commerce, Annual Report of Companies, etc. The salesmen's report also contains information about market trends.

b. The information which is collected from the external sources cannot be used directly. It must be first evaluated and arranged in a proper order. It can be then used by the marketing manager for taking decisions and making policies about marketing.

c. So, marketing intelligence is an important component of MIS.

3. **Marketing research** : The third important component of MIS is 'Marketing Research'. MR is conducted to solve specific marketing problems of the company. It collects data about the problem. This data is tabulated, analyzed and conclusions are drawn. Then the recommendations are given for solving the problem. Marketing research also provides information to the marketing managers. However, this information is specific information. It can be used only for a particular purpose. MIS and MR are not substitutes of each other. The scope of MIS is very wide. It includes 'MR'. However, the scope of MR is very narrow.
4. **Marketing decision support system** : The fourth component of MIS is 'Marketing Decision Support System'. These are the tools which help the marketing managers to analyze data and to take better marketing decisions. They include hardware, i.e. computer and software programs. Computer helps the marketing manager to analyze the marketing information. It also helps them to take better decisions. In fact, today marketing managers cannot work without computers. There are many software programs, which help the marketing manager to do market segmentation, price fixing, advertising budgets, etc.

2.4.3: Features of MIS:

The main characteristics or features of Marketing Information System (MIS):

Characteristics or Features of
Marketing Information System (MIS)

1. MIS is permanent and continuous System.
2. Its basic objective is to provide right information.
3. It is a computer based system.
4. It is future-oriented.
5. It is used by all levels of management.
6. It collects information from internal and external sources.
7. It collects all types of marketing information.
8. It helps marketing managers in decision making.

Continuous system : MIS is a permanent and continuous system of collecting information. It collects information continuously.

Basic objective : The basic objective of MIS is to provide the right-information at the right-time to the right-people to help them take right decisions.

Computer based system : MIS is a computer-based system. It uses computers for storing, analyzing and supplying information. It also uses micro-films for storing information. Therefore, it is very quick and accurate.

Future-oriented : MIS is future-oriented. It provides information for solving future problems. It is not past-oriented.

Used by all levels : MIS is used by all three levels of management, i.e. top, middle and lower. It is used for making marketing plans, policies and strategies. This is used to solve marketing problems and to take advantage of business opportunities.

Sources : MIS collects information from both, internal and external sources. For example, information is collected from company records, publications, etc.

Collects marketing information : MIS collects all types of marketing information. It collects information about the consumer competition, marketing environment, government policies, etc. It supplies this information to the marketing managers.

Helps in decision making : MIS supplies up-to-date and accurate information. It helps marketing managers to take quick and right decisions.

2.4.4: Component parts of the system

Three of these four component parts or 'sub systems' collect and produce information. The forth sub system takes the information provided from the other three parts and processes it, models it and carries out other procedures on the data that adds value to it and enhances its value to marketing decision makers. When most people think of an MkIS they tend to think of marketing research. Of course formally produced marketing research information is valuable to all firms. However formal marketing research is not the only form or source of marketing information. The modern firm needs to gather information from whatever sources it can and needs to make effective use of this information in processing it and in the use made of it. The MkIS is a system that ideally will carry out all of these information functions in a systematic and planned manner. The concept of an integrated marketing information system is shown in Figure 1 together with explanations

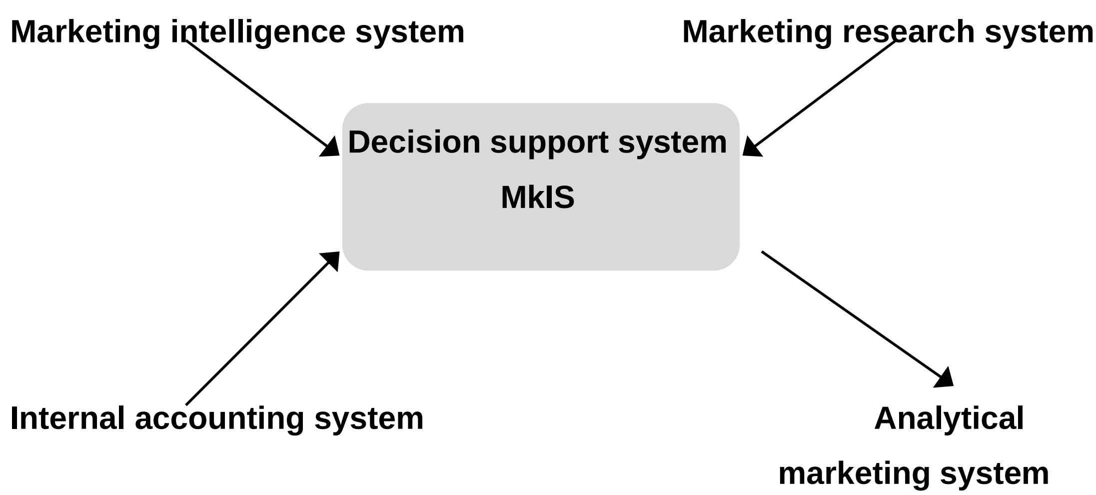


Figure 1 Marketing Information System (MkIS)

Internal Accounting System

All firms generate data as part of the general process of carrying out their business. The generation, recording, storage and retrieval of such data is referred as the 'internal accounting system of the firm'. The term tends to evoke thoughts of financial and cost accounting information. Actually, it refers to all information received and generated by the firm. Perhaps a better name for this system would be the 'internal documentary system'.

Internally generated and data inwardly received comes in many forms. For example, purchase orders are received by the marketing firm from customers. Delivery notes are generated by the firm, to be signed by the customer on delivery. The time in between the dates on the two documents gives the total order processing time. This can be monitored to make sure pre determined service delivery levels are being adhered to. When defective goods are returned to the marketing firm for whatever reason, a Goods Return Slip is usually generated. Again, this document can be used to monitor quality performance of either internally manufactured goods or goods bought in from other suppliers. Total numbers of goods returned or total number of complaints about goods as a percentage of goods sold provides a measurable standard of performance. Sales force expenses as a percentage of sales, number of telephone enquiries converted into sales, orders for particular products that might indicate seasonal or cyclical demand, are a few of the uses to which internally generated and internally received data can be put for marketing planning, monitoring and control purposes.

The important thing for the management of marketing firms to realise is that such information is available and can be retrieved from within the internal documentary system or 'internal accounting' system of the firm with little effort and at small cost. To be of value as a planning, monitoring and control measure management needs to know how to use it effectively.

The Marketing Intelligence System

Firms produce a wealth of information internally through the very process of managing and administering their business. Apart from the official purpose for which such information was generated e.g. sending out invoices, auditing etc, it often remains a neglected marketing resource. There are other information sources that are often underutilised by marketing management. The type of information we are talking about here is not formally collected marketing research information, but that which is less formally collected, often in a very ad hoc fashion as and when it presents itself. The system that attempts to collect, collate and manage this source of ‘loosely’ collected information is referred to as the ‘Marketing Intelligence System’. Kotler defines the marketing intelligence system in the following manner:

‘A Marketing Intelligence System is a set of procedures and sources used by managers to obtain their everyday information about pertinent developments in the marketing environment’.

In the course of carrying out their business for the firm, members of staff may come across potentially valuable and interesting information. In many firms such information is thought to be of little or no consequence. Often the people who might have access to such information may be of a lower working status within the firm. They do not think that what they have to say would be of interest to the management of their firm. Members of the sales force are out working in the market place every day. Their main business is to keep themselves informed of what is ‘going on’ in terms of developments in the market, competitors products, prices and concessions, in terms of customers and future customers and their future purchasing plans. Salespeople attend conferences and conventions, attend courses, ‘man’ the stands at trade shows and exhibitions, attend sponsored events and assist with hospitality. They make it their business to network effectively with other sales people within the industry. Sales people often posses a wealth of marketing intelligence gathered during the course of their job, but only a small number of firms make full use of this potentially valuable and important source of commercial intelligence. The use of sales personnel to collect and supply marketing intelligence is but one example of the type of information that can make up the firms marketing intelligence system. Vehicle drivers, receptionists, maintenance engineers and others all come into contact with suppliers and/or customers during the course of work and all have the potential to contribute to the marketing intelligence gathering arm of the firm’s MkIS.

The Marketing Research System

This is the final input to the marketing information system. The marketing research system makes use of both secondary data (data that are already in existence) and primary data (data collected for a specific piece of research for the first time).

Marketing research is already the subject of a separate document, so please refer to this for its description.

The Analytical Marketing System

This sub system of the overall MkIS does not produce any new data. Rather, it takes the data from the other three component parts of the system in the form of input data and enhances its value. Users of the system are able to do this by applying what might be termed ‘management science’ techniques to the data thereby transforming it in to a form that makes it more easily understood and more valuable to the marketing decision maker. The techniques applied to the data by the marketing management scientist are usually statistical in nature and many computer packages are commercially available that can carry out quite sophisticated analysis.

Information collected from formal marketing research, marketing intelligence gathering of internally generated information can be used as input data in a wide variety of forecasting models. Data collected over a period of time can be extrapolated in to the future by the use of time series techniques. The use of such techniques also allows the manager to model seasonality and cyclicality effects. Trend fitting, using the mathematical functions of known ‘curves’ can also be used to forecast sales and model likely future product life cycles. Linear and multiple regression are more sophisticated forecasting techniques that make use of ‘econometric’ procedures.

2.4.5: Cost - Benefit aspects of MKIS

Ideally a MkIS will have been carefully designed to produce information which is relevant, pertinent and usefully to the users of the system in terms of assisting them in improving their marketing decision making. In fact the entire rationale for a firm adopting a formally designed MkIS is that the system helps members of the marketing team make better decisions or enables them to make decisions faster. Management do not want to go to the time, expense and trouble involved in designing and implementing an

MkIS just to make the firm look as if it is ‘up to date’ in adopting the latest marketing ideas. They want the system to generate a financial return.

Information, just like any other ‘product’ has a marginal cost and a marginal value. Theoretically the marketing firm should continue to collect and store information up to the point where the marginal cost of information equals the marginal value.

2.4.6: Forecasting

Managerial decision-making involves forecasting future conditions and such decisions tend to be long-term and strategic in nature rather than operational. Forecasting information helps management to make operational decisions and is important in almost all areas of the firm, but the forecasting of sales is particularly important since it is the base upon which all company plans are built. Forecasting is a specialist process in itself and indeed is the subject of a number of individual textbooks. What is described here is only a simple overview of the process in order that its application to marketing planning can be more fully appreciated.

2.5 : Marketing Research (MR):

As a manager you are making decisions all the time. It is your responsibility to reduce the risk associated with the decisions which you make. The risk arises because of lack of complete information. Therefore, you are always seeking information to improve the quality of your decision-making.

In many areas of management, such as production, finance and personnel, the information required for decision-making is primarily generated within the firm and is easy to collect and analyse. Moreover, in these areas formalised procedures have greatly improved decisions: statistical quality control in manufacturing, PERT in project scheduling, queuing theory in managing large machinery maintenance programmes, etc.

2.5.1: Definition of Marketing Research:

The American Marketing Association defines marketing research as "the systematic gathering, recording and analysing of data about problems related to the marketing of goods and services". Crisp has defined marketing research as "...the systematic, objective and exhaustive search for and study of the facts relevant to any problem in the field of marketing".

It would be useful to add the word `continuous' to these two definitions to make them even more meaningful. A study conducted today may lose much of its relevance by next year and may need updating, modification or even an entirely new effort. The rate of change in information would depend on the specific product and customer segment with which you-are dealing. If your firm is marketing bathroom fittings you are dealing with functional products. The functions these fittings will serve in 1995 are the same as what they serve today. Therefore, you may not use extensive marketing research to understand the changes in customer tastes, because the variations in the designs (given the functional character of the product) which you can introduce are very limited. However, you would like to know what new colours and materials are preferred by the customers and undertake research for this purpose. If your firm is marketing ready-made clothes for teenagers you are dealing with a market where rapid change is its distinguishing characteristic. You would need continuous and extensive market research to find out what designs, fabrics, colours and prices will appeal to this market segment, this winter, the coming summer and the following winter and so on. You would also need to monitor the fashion scene in Europe and America and see what new trends can be successfully adapted for the Indian market. No matter whether you are in a product line which is greatly affected by changing customer tastes, habits, values, attitudes, or dealing in a product which is not that susceptible to environmental influences, you need marketing research to improve and be at least one step ahead of your competitors. In the latter case (ready- made clothes) marketing research is a critical input for the mere survival of the firm; in the former (bathroom fittings) case it can yield valuable ideas to make the firm a market innovator and leader. Marketing research can bused for consumer products, industrial products and services.

2.5.2: Purpose of Marketing Research:

The basic purpose of marketing research is to facilitate the decision-making process. A manager has before him a number of alternative solutions to choose from in response to every marketing problem and situation. In the absence of market information he may make the choice on the basis of his hunch. By doing so the manager is taking a big risk because he has no concrete evidence to evaluate this alternative in comparison with others or to assess its possible outcome. But with the help of information provided by marketing research the manager can reduce the number of alternate choices to one, two or three and the possible' outcome of each choice is also known. Thus the decision-making process becomes a little easier.

The second purpose of marketing research is that it helps to reduce the risk associated with the process of decision-making. The risk arises because of two types of uncertainties: uncertainty about the expected outcome of the decision, and uncertainty about the future. , Uncertainty about the expected outcome of the decisions will always remain no matter how much information you may have collected to base your decision on hard facts.

2.5.3: Scope of Marketing Research:

Marketing research (MR) is concerned with all aspects of marketing, relating to product design and development, product-mix, pricing, packaging, branding, sales, distribution, competition, target customer segments and their buying behaviour, advertising and its impact. Specifically, the scope of MR includes customers, products, distribution, advertising, competitive information and macro-level phenomenon

- **a)** Marketing is concerned with identifying and fulfilling customer needs and wants. Thus, MR should precede marketing. The unfulfilled wants should first be identified and translated into technically and economically feasible product ideas, which then should be marketed to the customers. But mere identification of customer wants is not enough. Marketing requires continuous effort to improve the existing product, increase sales and beat the competition.
- b) The second area which is of direct concern for MR is product and product design. MR is helpful in determining the final design of the product and its physical attributes of colour, size, shape, packaging, and brand name. It is useful in arriving at the right combination of product mix, the number of variations of the basic product, accessories and attachments. It can also help decide the

quantities to be produced according to the projected demand estimates. MR can also be used to gauge customer reactions to different prices.

c) Marketing research helps in discovering what types of distribution channels and retail outlets are most profitable for your product. On the basis of comparative information for different channels and different types of outlets you can choose the combination most suitable for your product. Distributor, stockist, wholesaler, retailer may represent one kind of distribution channel in contrast to another in which you may use only the distributor and retailer.

d) Most companies provide advertising support for their products. In some cases the amount spent on advertising may be small, while in others it may run into crores of rupees. Irrespective of the actual amount spent on advertising, each firm would like to maximise the return on every rupee that it spends. Marketing research can help the firm to do this. Research can provide information on the most cost-effective media help determine the advertising budget, measure the effectiveness of specific advertisements; advertising campaigns and the entire advertising strategy. Research also provides information on the size and type of audiences for different advertising media channels.

2.5.3: Marketing Research Procedure:

Marketing research is undertaken in order to improve the understanding about a marketing situation or problem and consequently improve the quality of decision-making related to it. The usefulness of the marketing research output will depend upon the way the research has been designed and implemented at each stage of the process. There are five steps in every marketing research process:

a) Problem definition
b) Research design.
c) Field work.
d) Data analysis.
e) Report presentation and implementation.

a) **Problem Definition:** A problem is any situation which requires further investigations. However, not all marketing problems need formal investigation or research. Many problems are of a routine and trivial nature which can be solved immediately after ascertaining all the facts of the case. Your distributor wants 90 days credit against the usual 60 days because he is facing certain financial problems. You can immediately check the distributor's past record in honouring his outstandings and ascertain the genuineness of his problem and make a, decision. Some problems faced by marketing managers are such that they can be handled on the basis of past experience and intuition. Such decisions can only be made if the manager has been in the line for at least a couple of years. Decisions made on judgement may not always turn out to be correct, but the problem may not be important enough to justify substantial time, money and effort to be spent on solving it. But when the problem is critical, spending resources to initiate formal marketing research is warranted. Also when the problem is such that the manager has no past experience to guide him (as in case of a new product launch) or the decision will have a critical impact on the future of the company (diversification into new markets, new products) it is worthwhile to undertake research and make decisions on the basis of concrete results rather than mere hunch or judgment. It is very important that you define the problem for research properly. It is correctly said that `a problem well defined is half- solved.'

b) Research Design: If you have stated your problem correctly and precisely, you should b able to spell out the precise objectives for research. Now you are in a position to prepare your research design. The research design spells out how you are going to achieve the stated research objectives. The data collection methods, the specific research, instrument and the sampling plan that you will use for collecting data and the corresponding cost are the elements that constitute the research design.

Data Collection Methods: A great deal of data is regularly collected and disseminated by international bodies, International Labour Organisation, World Bank, International Monetary Fund, Government and its many agencies including Planning Commission, Central Statistical Organisation, Reserve bank of India, Census Commission, private research organisations, and trade associations. This kind of data which has already been collected by another organisation and not by you is known as secondary data. This secondary data already exists in an accessible form; it only has to be located. You must first check whether any secondary data is available on the subject matter into which you are researching and make use of it, since it will save considerable time and money. But the data must be scrutinised properly since it was originally collected perhaps for another purpose. The data must also be checked for reliability, relevance and accuracy.

Research Instrument: In the observation method, the researcher may use a camera, tape recorder or tally sheet (a sheet in which the number of times an event occurs is recorded). Whatever the instrument used, the researcher must ensure that the instrument is appropriate to the occasion and is reliable. In the survey method the most commonly used instrument is the questionnaire. This is a written and organised format containing all the questions relevant to soliciting the required information. The construction of a questionnaire requires great skill. To check that the questionnaire serves the necessary purpose, it should be tested on a limited scale and this is technically known as a pilot survey. The objective of a pilot survey is to weed out unnecessary questions, questions which are difficult to answer, and improve the phrasing of certain questions which are difficult to comprehend.

Sampling Plan: After preparing your questionnaire or your equipment for observation, you have to identify the source of your information, the source is also called the `population' or `universe'. For conducting marketing research you would rarely gather information from the entire population, rather you would select a small group known as sample which has all the characteristics of the population, and conduct research among the sample group. The reasons for not using the population for research are:

i) the number of units in the population may not be known,

ii) the population units may be too many in number and/or widely dispersed thus making research an extremely time consuming process,

iii) it may be too expensive to include each population item.

When the number of population items is small and known, (say, the number of cinema halls, colleges, government hospitals in a city) you may use the population as your source of information. But in most cases, a representative group which has all the characteristics of the population and is known as sample is drawn from the population and this is used for conducting research.

c) Field work: This is the stage where the research design has to be converted from the planning stage to that of implementation. To achieve the stated research objectives data has to be collected. This data collection is known as field work. The two stages in field work are planning and supervision.

Planning: It has to be planned how many people will be assigned to the field, what will be their geographical areas of coverage; how many days will be required for the entire operation and what is the pattern to be used for choosing sample units (every fourth household in a lane, all flats with an even number in an apartment `block' etc.). All this planning has to be done in accordance with the details spelt out in the sampling plan.

Supervision: Supervision is an extremely important input to ensure that the data collected is genuine and accurate. Most field work is carried out by a team of field surveyors, and each team is assigned to a supervisor. The team members would plan their daily area of field work in consultation with the supervisor. The supervisor may accompany different team members on different days. In the evening the team would meet the supervisor, hand over the data which they have collected and sort out any problems they may have faced.

d) Data analysis: After you have collected the data, you need to process, organise and arrange it in a format that makes it easy to understand and directly helps the decision-making process. Raw data has to be processed and analysed to obtain information. There arc three phases for analysing the data:

- Classifying the raw data in a more orderly manner;
- Summarising the data;
- Applying analytical methods to manipulate the data to highlight their inter-relationship and quantitative significance.

e) Report presentation and implementation: The final step is the preparation, presentation and implementation of a report giving the major findings and recommendations. A typical format of the report may comprise of the following sections:

- Objectives and methodology in which the research objectives are stated and details of the sampling plan are described.
- Summary of conclusions and recommendations in which the main findings of the research are highlighted. On the basis of the findings, some recommendations may be made.
- Sample and its characteristics which contains descriptions of the sampling units in terms of their geographical location, socio-economic profile and other relevant details.
- Detailed findings and observations in which the data which has collected is presented in a form which is easily comprehensible to the user. The data may be presented in tabular form or graphically in a bar chart, pictogram or pie diagram; or in a combination of all these.
- Questionnaire and supporting research instruments are presented in the last section.

The research agency may or may not be involved in the implementation of the recommendation made in the report.

2.6 : Consumer Behavior (CB):

Consumer behaviour is helpful in understanding the purchase behaviour and preferences of different consumers. As consumers, we differ in terms of our sex, age, education, occupation, income, family set-up, religion, nationality and social status. Because of these different background factors we have different needs and we only buy those products and services which we think will satisfy our needs. In marketing terminology, specific types or group of consumers buying different products (or variation of the same basic product) represent different market segments.

Consumer behaviour is a process, and purchase forms one part of this process. There are various endogenous psychological and exogenous environmental factors which influence this process. All these factors and the type of influence which they exert on an individual's consumption behaviour can be understood and analysed. Moreover, some of these factors can be further influenced by specific elements of the marketing strategy, so that the consumer behaviour process results in a definite purchase decision. To the extent that the marketer can understand and manipulate the influencing factors, he can predict the behaviour of consumers. Though prediction can never be absolutely accurate, it certainly reduces the risk associated with different marketing strategies. Thus, the importance of consumer behaviour lies in the fact that behaviour can be understood and influenced to ensure a positive purchase decision. The marketing manager's interest lies exactly here i.e. to ensure that his marketing strategy results in purchase of the product.

2.6.1: A Model of Consumer Behaviour:

A consumer's decision to purchase a particular product or service is the result of complex interplay of a number of variables. The starting point for the decision process is provided by the company's marketing stimuli in the shape of product, promotion, price and distribution strategy.

The marketing stimuli are received by the potential consumer along with the other stimuli already existing in the environment. These stimuli may be social, economic, cultural, technological and political in nature. At the point of receiving the marketing stimuli, the consumer already has a certain mental, emotional and psychological frame of mind developed over the years by his cultural, religious, social, family and psychological background. However, most of these factors (or buyer characteristics) exert their influence at the sub-conscious level so that the consumer is not really aware of their existence or working.

When a stimulus is received, the consumer goes through an elaborate process of : decision-making in terms of receiving, retaining, interpreting and evaluating the stimuli according to his own framework. Depending on the nature of product being purchased, this process may work at the sub-conscious level or it may be overt, the time taken to make the decision may vary from a few seconds to a few days or months. The buyer characteristics and buyer decision-making process in conjunction with marketing stimuli lead to a decision to either buy the product or not to buy.

The stimuli, the process of decision-making and response constitute a simple model of consumer behaviour as shown in Figure I.

Figure I

A Simple Model of Consumer Behaviour

Input		Process		Out Put
EXTERNAL INFLUENCES		CONSUMER DECISION MAKING		CONSUMER DECISION AND ACTIONS
Marketing Stimuli Product Price Channels of Distribution	**Other Stimuli** Economic Technological Political Social	**Buyers Characteristics** Psychological Personal and Cultural Characteristics	**Buyer Decision Process**	Product Choice Brand Choice Dealer Choice Purchase Timing Purchase Amount

2.6.2: Factors Influencing Consumer Behaviour:

Consumer behaviour is affected by a host of variables, ranging from personal motivations, needs, attitudes and values, personality characteristics, socio-economic and cultural background, age, sex, professional status to social influences of various kinds exerted by family, friends, colleagues and society as a whole. The combinations of these various factors produce a different impact on each one of us as manifested in our different behaviour as consumers. You may think that the best way of utilising your annual saving is to have a holiday, but your wife thinks it is wisest to invest in a house, while your colleague considers buying shares as the best way of spending savings. Thus you would find that each person has his or her own standards of judgments and distinct behaviour in every aspect of his role as a consumer. But at the same time, underlying the individual differences are similarities which help explain behaviour of specific types or groups of people. It is these similarities which make it possible for us to classify and analyse the behaviour of individual consumers.

Psychological factors such as individual consumer needs and motivations, perceptions, attitudes, the learning process and personality characteristics are the similarities which operate across different types of people and influence their behaviour. Amongst the social influences affecting behaviour, we can classify the influences of family, friends, leaders and the social class to which the 'consumer belongs. Figure II exhibits a detailed model of factors influencing consumer behaviour. We shall discuss these factors one by one and see how they influence the individual's behaviour as a consumer.

2.7 : Demand Forecasting:

Demand for a product begins with wants and desires of buyers (individuals, family or organisation). Effective demand for a product needs purchasing power (income, assets and credit) as well as buying motives, i.e., willingness to buy a product. When the effective demand for all buyers is added up, the result is the total market demand for the product. Demand forecasting is a combination of two words; the first one is Demand and another forecasting. Demand means outside requirements of a product or service. In general, forecasting means making an estimation in the present for a future occurring event. Here we are going to discuss demand forecasting and its usefulness. It is a technique for estimation of probable demand for a product or services in the future. It is based on the analysis of past demand for that product or service in the present market condition. Demand forecasting should be done on a scientific basis and facts and events related to forecasting should be considered. Therefore, in simple words, we can say that after gathering information about various aspect of the market and demand based on the past, an attempt may be made to estimate future demand. This concept is called forecasting of demand.

Market demand is influenced not merely by price but by many other factors which are not constant as supposed in economics. Market demand is influenced by other variable factors such as marketing mix and marketing environment, e.g, competition, buyer's behaviour, general economic condition, fashion trends, government regulations ect. Willingness to buy is influenced by environmental factors as well as marketing effort of the industry.

a. Market demand:

It refers to the total volume that could be bought by a defined customer group in a defined geographical zone in a defined period of time in a defined marketing environment under a defined marketing programme. The demand is expressed in physical or monetary forms.

b. Company Demand:

Company demand is the volume of sales expected under given environmental conditions for a specific forms. It is a function of the firm's strategic marketing effort and specifies the amount of sales turnover which would be realised by a company under different levels of company's selling efforts.

C. Industry Forecast:

It is indicates the customer demand under the expected level of marketing effort which can be put forward by all the sellers within an industry.

D . Company sales Forecast:

It is estimated sales turnover under a defined marketing program. The sales forecast is the planned level of sales based upon a given marketing strategy.

2.7.1: Forecasting:

Forecasting is an important component of Business Management. It is essentially a technique of anticipation and provides vital information relating to the future. It is the basis of all planning activities in an organization. It involves collecting valuable information about past and present and estimating the future. Forecasting is an estimate of what is expected to happen in some future period.

2.7.2: Usefulness of Demand Forecasting

Demand plays a vital role in the decision making of a business. In competitive market conditions, there is a need to take correct decision and make planning for future events related to business like a sale, production, etc. The effectiveness of a decision taken by business managers depends upon the accuracy of the decision taken by them.

Demand is the most important aspect for business for achieving its objectives. Many decisions of business depend on demand like production, sales, staff requirement, etc. Forecasting is the necessity of business at an international level as well as domestic level.

Demand forecasting reduces risk related to business activities and helps it to take efficient decisions. For firms having production at the mass level, the importance of forecasting had increased more. A good forecasting helps a firm in better planning related to business goals.

There is a huge role of forecasting in functional areas of accounting. Good forecast helps in appropriate production planning, process selection, capacity planning, facility layout planning, and inventory management, etc. Demand forecasting provides reasonable data for the organization’s capital investment and expansion decision. It also provides a way for the formulation of suitable pricing and advertisement strategies.

Following is the significance of Demand Forecasting:

- Fulfilling objectives of the business
- Preparing the budget
- Taking management decision
- Evaluating performance etc.

Moreover, forecasting is not completely full of proof and correct. It thus helps in evaluating various factors which affect demand and enables management staff to know about various forces relevant to the study of demand behavior.

2.7.3: The Scope of Demand Forecasting

The scope of demand forecasting depends upon the operated area of the firm, present as well as what is proposed in the future. Forecasting can be at an international level if the area of operation is international. If the firm supplies its products and services in the local market then forecasting will be at local level.

The scope should be decided considering the time and cost involved in relation to the benefit of the information acquired through the study of demand. Cost of forecasting and benefit flows from such forecasting should be in a balanced manner.

2.7.4: Types of Forecasting

There are two types of forecasting:

- Based on Economy
- Based on the time period

2.7.4.1: Based on Economy

There are three types of forecasting based on the economy:

1. **Macro-level forecasting:** It deals with the general economic environment relating to the economy as measured by the Index of Industrial Production(IIP), national income and general level of employment, etc.
2. **Industry level forecasting:** Industry level forecasting deals with the demand for the industry's products as a whole. For example demand for cement in India, demand for clothes in India, etc.
3. **Firm-level forecasting:** It means forecasting the demand for a particular firm's product. For example, demand for Birla cement, demand for Raymond clothes, etc.

2.7.4.2: Based on the Time Period

Forecasting based on time may be short-term forecasting and long-term forecasting

1. **Short-term forecasting:** It covers a short period of time, depending upon the nature of the industry. It is done generally for six months or less than one year. Short-term forecasting is generally useful in tactical decisions.
2. **Long-term forecasting casting:** Long-term forecasts are for a longer period of time say, two to five years or more. It gives information for major strategic decisions of the firm. For example, expansion of plant capacity, opening a new unit of business, etc.

UNIT-III PRODUCT PRICING STRATEGY

Structure

3.1 Product
- 3.1.1 Product Classification.
- 3.1.2 Product Strategies.
- 3.1.3 New Product Development.
- 3.1.4 Product Life Cycle and Marketing Mix.

3.2 Branding Strategy

3.3 Labeling Strategy

3.4 Packaging Strategy

3.5 Pricing Methods and Strategy.

3.1 PRODUCT

The marketing mix is composed of four elements i.e product, pricing, place and promotion. It is also referred to as four 'Ps' of the marketing mix. In this unit you will study the first element of marketing mix - the product. You will study the meaning and essential attributes of a product, types of products, product mix and product Line and related strategy. The unit also explains the concept of service and how services are different from goods, the service classification scheme, the challenges involved in services marketing and the services marketing mix.

We lake steel sheet, nuts and bolts, a motor, paint, and other accessories, process them in a given manner and our effort may result in the form of a washing machine. However, when the consumer buys the machine, it is not simply the machine that emerged out of the efforts and things that went into it. The consumer buys it because he has a specific want (i.e., something to aid in washing clothes) and the consumer is exploring a way to satisfy that want. He looks for an accepted brand name, a warranty, an assured after-sales service, some appealing physical features and impressive colour. Thus, marketers should recognize that people are not simply interested in buying the physical features of the product, but they buy to satisfy their wants. For that matter some products which people buy do not have physical feature at all. Take for instance an income-tax consultant. He sells his advice which does not have any physical features. It means, apart from physical products. We must also include services within the scope of our discussion.

Thus, a product may be defined in a narrow as well as broad sense. In n narrow sense, it is a set of tangible physical and chemical attributes in an identifiable and specially recognizable form.

Essential Attributes of a Product

Based on the above definitions, we can list out the essential characteristics of a product as follows:

1) **Tangible or Intangible**: It may be capable of being touched, seen and felt. For example, products like a refrigerator and motor cycle are tangible. At the same time, a product need not necessarily be tangible. It can be intangible but capable of providing a

service. For instant repairing, hair-dressing and insurance, etc. are intangible but provide satisfaction to the customers.

2) **Associated Attributes**: A product consists or various product features and accompanying services. Thus, a product is comprised of attributes including colour, package, brand name, accessories, installation, instruction to use, manufacturing prestige, retailer's prestige, after sale service, etc. These attributes differentiate the products from each other.

3) **Exchange Value**: A product must be capable of being exchanged between a buyer and seller at a mutually acceptance cost.

4) **Satisfaction:** It should be capable of providing, satisfaction to the buyers both real and psychological. As far as the seller is concerned, it should provide the much needed business benefit.

A product, therefore, can be considered as comprising of three distinct levels. Al the First level is the core product is., the core benefit which the consumers seek to buy. The second level of the product can be described as the actual product. This includes the packaging, brand name, features of the product, design, the shape, utility etc. The third level is the augmented product. In addition to the actual product, the provider may give additional customer services such as after sales service, warrenty, delivery, installation etc.

The product concept has three dimensions:

i. Managerial Dimension:

It covers the core specifications or physical attributes, related service, brand, package, product life-cycle, and product planning and development. As a basis to planning, product is second only to market and marketing research.

The product offering must balance with consumer-citizen needs and desires. Product planning and development can assure normal rate of return on investment and continuous growth of the enterprise.

ii. Consumer Dimension:

To the consumer a product is actually a group of symbols or meanings. People buy things not only for what they can do, but also for what they mean. Each symbol communicates a certain information. A product conveys a message indicating a bundle of expectations to a buyer.

Consumer's perception of a product is critical to its success or failure. A relevant product is one that is perceived by the consumer as per intentions of the marketer. Once a product is bought by a consumer and his evaluation, i.e., post-purchase experience is favourable, marketers can have repeat orders.

iii. Social Dimension:

To the society salutary products and desirable products are always welcome as they fulfill the expectations of social welfare and social interests. Salutary products yield long-run advantages but may not have immediate appeal.

Desirable products offer both benefits, immediate satisfaction and long-run consumer welfare. Society dislikes the production of merely pleasing products which only give immediate satisfaction but which sacrifice social interests in the long-run.

Marketers have to fulfill the following social responsibilities while offering the products to consumer:

i. Conservation and best use of resources,

ii. Safety to users,

iii. Long-run satisfaction of consumers,

iv. Quality of life, concern for better environment,

v. Fulfilment of government regulations relating to composition, packaging and pricing of many products.

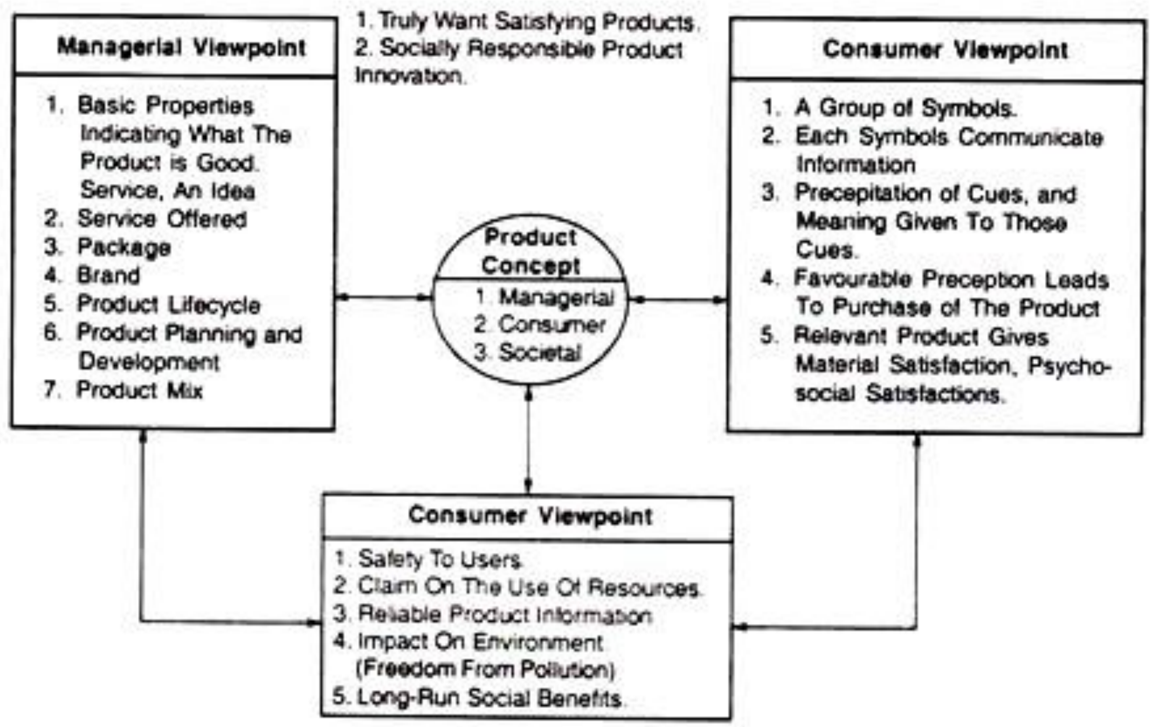


Fig. 2. Three Dimensions of Product Concept.

Levels of Product:

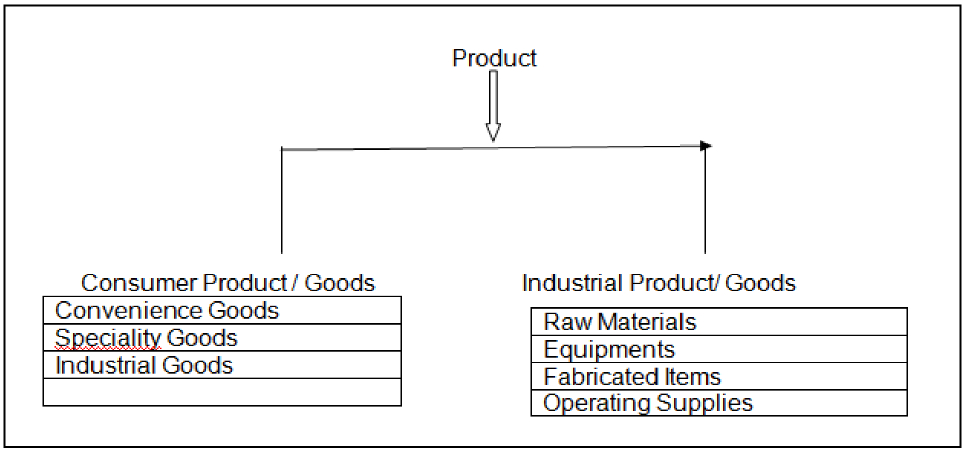
Products have five levels, which are known as " customer value hierarchy", with each level adding more customer value.

I. The most basic is the core product or core benefit. This is what the customer is actually buying, Examples: Cosmetics are bought by ladies with the hope of becoming fair and lovely and mobile phone for communication.
II. At the second level, the core benefit is turned into a basic product. This will have features, design, a quality level, a brand name and packaging.
III. At the third level, it becomes an expected product, a set of attributes and conditions normally expected by consumers when they buy the product. Examples: Mobile phone- easy to operate, long- lasting battery, ring- tone, etc.
IV. At the fourth level, it becomes an augmented product by offering additional consumer services and benefits. Example: Colgate Motion- a battery run tooth brush, Suit case with wheels.

V. Finally, it becomes a potential product containing all possible augmentations and transformations that it might undergo in the future. Consumers normally see products as complex bundles of benefits that satisfy their needs. Example: Robot for domestic work, Mobile phone with TV channels, GPS.

3.1.1 Product Classification:

3.1.1.1 Classification of Goods:



1. Consumer Goods:

Consumer goods of different classes are discussed below:

a) Convenience Goods:

Convenience Goods, usually of semi-durable nature, refer to those comparatively high value items which the customers buy after paying consideration as to quality, price, design, etc. The buying motives of the customers exhibit a high degree of differentiation in the purchase of these items. Examples are; shoes, ready-made garments, cosmetics, etc.

b) Speciality Goods:

Speciality Goods refer to those items which possess unique characteristics and/or brand identification and for which a significant group of buyers are habitually willing to make a special purchasing effort. These are usually of durable nature and high unit value, and the customers' brand preferences dictate their buying motives. Examples are; T.V., radio, refrigerators, steel furniture, etc.

c) Industrial Goods:

Industrial Goods refer to those goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with the goods destined to be sold primarily to the ultimate consumers.

2. Industrial Goods:

Industrial goods of different classes are discussed below:

a) Raw Materials:

Raw materials may be agricultural items (e.g. cotton) or items of semi-finished nature (e.g. steel) or parts for the finished product to be assembled (e.g. parts of a motor vehicle).

b) Equipments:

Equipment's may be basic installations (e.g. boiler, turbines) or accessory products (e.g. calculator, time clocks). These items move directly from the producers to the industrial users.

c) Fabricated Items:

Fabricated items consist of those parts that are used in the assembly of finished goods like automobiles, etc.

d) Operating Supplies:

Operating supplies such as fuel, coal, etc. neither form a part of nor enter into the product but are necessary for the running of industries.

3.1.2: Product Strategy:

Product strategy is defined as the road map of a product.[This road map outlines the end-to-end vision of the product, particulars on achieving the product strategy and the big picture context in terms of what the product will become. Companies utilise the product strategy in strategic planning and marketing to identify the direction of the company's activities. The product strategy is composed of a variety of sequential process in order for the vision to be effectively achieved. The company must be clear in terms of the target market of the product in order for them to plan the activities needed in order to reach the destination and to achieve its goals.

Whenever a new product launches in the market, it is difficult for the company or brand to forecast where the product will reach or how it will shape up. At such times, brands design the Product strategy.

The product strategy determines all the steps which a brand will have to take to make the product a success. Alternatively, because this is how a strategy works, the brand also has to decide what to do if the product is a failure of it is not gaining traction in the market.

Product strategy helps in deciding the basic elements of a product such as its marketing mix and its design. At the same time, it also helps in targeting the product to the right segment, product line stretching etc. All this will be discussed in the steps to develop a product strategy.

A common terminology used in product strategy is the product roadmap which means the sequential step of events which need to take place to ensure maximum penetration of the product and maximum product adoption in the market. Product strategy helps the formation of the product roadmap.

Importance of Product Strategy:

i. It helps decide the exact steps to be taken in any event to make the product a success.
ii. It prepares the company for response by competitors or towards changing market conditions.
iii. It helps the company decide the target market and in market penetration.
iv. A product vision is formed thereby setting the product on an independent path with a time to time intervention allowing the company to focus on multiple products in a short time.

Product Strategy Process:

A lot of product analysis is needed to develop a strategy. Besides product, you need to analyze your competitors, the market and various segments so that you can come up with the right product strategy. Here are the steps of Product Strategy.

a) Marketing mix

The product is the most important element of the marketing mix. If you have decided on a market segment to target, then product design plays a crucial role. This is because a change in the product brings a change in all the other elements of the marketing mix. Be it a service or a product, the marketing mix majorly depends on the product for other aspects like promotions, place and price.

It is required to consider various aspects of the product such as product line and length, what would be the packaging of the product and what kind of labelling will be involved. In essence, the core aspects of the product and its contribution to the marketing mix is decided in this step.

Example – While deciding on an electronics product strategy, you need to decide the various product line and length that a single model will have. You also need to decide the packaging and labelling to use besides considering the effect of all these expenses on the marketing mix.

b) Levels of a product

A product has various levels. One of the articles on this site discusses the three levels of a product which includes the core product, the actual product, and the augmented product. The article also discusses examples of the same so if you want to know the three levels of a product then click here.

A marketer needs to assume the various levels of a product while deciding the product strategy. Example – An automobile manufacturer or an equipment manufacturer needs to give service along with the product to the end customer.

If the manufacturer does not give service, then the product will not sell. Hence at such a time, the manufacturer has to understand the important role of the augmented product in the product strategy. Without the various levels of the product and their proper implementation, the product strategy can fail.

c) Type of products

The product that you are designing will be of which type? There are various types of products. 4 of these types are discussed in this article. However, while deciding the product strategy you need to consider what is the type you want to target? Some of them are

- Durable products / Nondurable products
- Shopping goods / Specialty goods / Convenience goods
- Industrial goods/consumer goods
- Service products

Deciding on the type of product can help you in determining how to penetrate your target market. STP is an important step in strategy but this step will clear your mind on which segment you are going to target because the product is restricted to that segment only.

d) Differentiation

There are various possibilities to differentiate a product or to differentiate services. We have detailed articles on each which you can find by clicking the links above. However, to make it simpler, here are the features which you can use to differentiate a product or a service.

- Product Form and Product features
- Product performance levels
- Reliability / Repairability / Durability
- Style and Design
- Ordering ease / Ease of installation
- Customer service / Warranties and Guarantee

As can be seen above, these are critical decision-making elements for any consumer and by creating differentiation at the product level, the product strategy becomes a sound strategy to compete on even grounds with the competitor.

Example – American Tourister is known for its durable luggage. The same goes for Woodland shoes. These are brands which have targeted product reliability and durability as a differentiating factor right from the product strategy stage. As a result, their complete marketing strategy is focused towards one direction – Promoting their products as far superior then competition due to the differentiating factors.

e) Brand elements

Brand identity and Brand image are important considerations for the success of any company. Naturally, when deciding on the product strategy, you need to decide the brand elements for the product. There can be numerous branding elements involved thereby giving more recognition for the product and accumulating more respect in the market.

Example – Victorinox as a brand has several elements which can help differentiate between the genuine products vs a fake one. It has a spring in its swiss knife which makes a distinct sound thereby confirming that the knife is genuine. Similarly, it has symbols on the top of the knife as well as in smaller tools within the knife to differentiate the genuine from the fake. The symbols are unique too thereby clearly helping the customers pick the right product.

Such brand elements are important for the recognition and adoption of the product in the market and they need to be created at the product strategy and product design stage itself.

f) Product Design

Quite simply, a computer is a generic product name whereas desktops & laptops are all variants of a computer. The only difference between laptops and desktops is the product design. Both of them have CPU and both have monitors. Thus, product design plays a crucial role in the success of a product and should be given due consideration while designing the product strategy.

The technology market is built on product design. This is why smartphones have become a major crowd puller because of their differing aesthetics. If we want to talk about product design, we just cannot ignore the fashion industry which is completely dependent on the design of the product to built its brand identity. Fashion labels like Gucci, Armani and others spend a fortune getting the design right.

g) Product Mix

Sometimes a single product might not make the cut but its product variant might be an instant hit. Take shampoos for example. Most in demand shampoo are the Anti-dandruff shampoo. However, besides this, most of the top shampoo brands have a variety of products on offer with minor differences in ingredients. These are nothing but a combination of the product mix.

3.1.2: New Product Development.

Product development process is expensive, risky and time consuming. Though world-shaping innovations have emerged from the 'garages' and will continue to do so, companies cannot depend solely on flashes of brilliance and inspiration to provide their next bread earner or even their next blockbuster.

Image Courtesy : leanentrepreneur.co/wp-content/uploads/2013/01/LEAN-VS-THICK-PRODUCT-DEVELOPMENT.jpg

It is too frightening. In absence of any better method to bring out new products a formal process with review points, clear new product goals, and strong marketing orientations underlying the process is being relied upon by companies to achieve greater success.

An eight step new product development process consists of new product strategy, idea generation, screening, concept testing, business analysis, product development, market testing and commercialization. New products pass through each stage at varying speeds.

New Product Development Process

a) New product strategy:

Senior management should provide vision and priorities for new product development. It should give guidelines about which product or market the company is interested in serving. It has to provide a focus for the areas in which idea generation should take place.

By outlining their objectives, for instance, market share, profitability, or technological leadership for new products, the senior management can provide indicators for screening criteria that should be used to evaluate these ideas.

A development team is likely to achieve better results if it concentrates its resources on a few projects instead of taking shots at anything that might work. Since the outcome of new product development process is unpredictable, a company might believe that it is taking a risk by working on only a few new ideas.

However unpredictable the new product development process may be, chances of success will definitely improve if the team knows precisely what it wants to achieve from the process, puts its best people in the project, and has enough resources to commit to the project.

b) Idea generation:

Developing an innovative culture that kindles imagination is a prerequisite. In such an environment every employee is alert to new opportunities. Great ideas come in a period of quiet contemplation, uninterrupted by bustle of everyday life and work.

Sources of new product ideas can be internal to the company. Scientists, engineers, marketers, salespeople, designers can be rich sources of new ideas.

Companies use brainstorming to stimulate creation of ideas and financial incentives to persuade people to put forward ideas they have. Though anyone can come up with a brilliant idea, a company can work systematically to generate great ideas. A company can follow the following practices:

i. A company can look outside markets that are currently being served. It may not be manufacturing the precise product which the new market requires, but it may realize that it has the competence and the technology to serve the needs of the new market.

When a company scrutinizes its core competences, it may discover that its various core competences may be combined in a new way to serve a new market.

Apart from people who specialize in various technologies, it is important that a company has a few market savvy people who understand all its technologies. These people will combine technologies to serve customer needs in interesting ways.

ii. For too long, companies have viewed a market as a set of customer needs and product functionalities to serve these needs. But they should begin to ask as to why the product has to be like this. Can the customer needs be satisfied with some other product form?

Companies will realize that their products have shaped consumer expectations about the appropriate solution to their needs but if the companies become bold and persistent, customers will accept new solutions to their needs.

iii. A company should question conventional price and performance relationships. It should explore the possibility of providing the same value at lesser price or try to make the customers pay more by serving their needs in a new or better way. A more rigorous market research may reveal more sophistication in customers' needs which the company can serve with a novel product.

A company should reject the idea that an existing product is the only starting point for new product development. The greatest hindrance to development of novel products is the existing product. Developers keep making mental references to the existing product in terms of how their new product will be different or better than the existing ones.

Having some people from outside the industry will help the development team in distancing themselves from the existing product. A development team comprising solely of outsiders can be tried if the company desperately wants a novel product.

iv. Customers rarely ask for truly innovative products. A company can try to lead customers by imagining unarticulated needs rather than simply following them. It involves a blend of creativity and understanding the needs, lifestyles and aspirations of people.

The developers have to have an in- depth talk with customers and observe closely a market's sophisticated and demanding customers. But an innovation need not always be more sophisticated than the current products. Customers might be using sophisticated products because they do not have a choice but may be looking for a much simpler solution.

In quite a few markets companies have to reduce the sophistication of their products. Customers are not using a quite a few features of the current products and it is a nightmare to use some of these products. The customers need to acquire quite a few skills to use such products. They would be happier using a simpler product at a lesser price.

v. A company should examine competitors' products at frequent intervals. Though copying competitors' products may not inspire many developers, a company can use competitors' products to identify features and benefits that its product lacks.

If a competitor's product is more advanced or sophisticated the company can use the competitor's product as a base and develop the product further.

vi. Retailers deal in the company's customers and can give very useful ideas. Retailers experience the anguish and glee of customers firsthand and handle both repeat purchases and product returns. These experiences of retailers can provide very useful information about customers' experience with the company's offerings.

A company's salespeople and even the top executives should be in constant interaction with retailers so that they are able to glean customers' opinions about their product from the retailers. Retailers are also in contact with customers of competitors' products and the company can get feedback about the competitors' product from the retailers.

vii. Customers are the original sources of new product ideas. Lead users, who are the most sophisticated users of a product, are excellent sources of ideas for new products, as they are most likely to encounter new problems due to the increased sophistication of their needs.

Business customers who are innovators and market leaders in their own marketplace are sources of new product ideas, as they have advanced needs and are likely to face problems before other product users.

But companies who focus on lead users may develop products which may be too sophisticated for the average users of the product. It may contain features and benefits that the average customer may not need, but will have to pay for.

viii. Customers can give feedback about the products that they are familiar with, and these inputs can be used to drive innovations which will be incremental in nature. But for breakthrough innovations, ideas must come from other sources such as the R&D team.

This is because the customer cannot talk beyond his realm of experience, which is constricted. Therefore, if a company wants to launch a radical innovation, it has to look beyond existing customers as a source of idea.

c) Idea screening:

Screening of ideas is done to evaluate their commercial worth. At this stage, the company needs to ascertain whether the new products being developed fit in with the company's strategy and resource availability.

Simultaneously, the company also evaluates the market potential for the new product by evaluating criteria such as projected sales, profit potential, extent of competition and return on investments. Unique designs that lower costs or give performance advantages are also considered.

Though it is difficult to accurately forecast the success of an idea at this stage, the process helps the company to check if the idea is in alignment with the company's objectives and competencies, and that the idea has reasonable chances of success.

The process helps the company to wean out fanciful ideas. But some such fanciful idea may entice the management at this stage and the originator of the idea may get permission to go ahead with it.

d) Concept testing:

At the developmental stage, every idea can be developed into several product concepts. Each concept is then tested with a small sample of customers from the target market to know their degree of acceptance. A product concept is a particular combination of features, benefits and price. Alternate product concepts are evaluated by customers.

Though it may still be a description rather than the actual product, customers have something tangible to react to. This process allows customer feedback to seep into the new product development process early enough for marketers to evaluate the degree of acceptance of the potential new product.

As the physical product may not be available at this stage, companies go in for a verbal or pictorial description of the product to let customers have an idea about the actual product. Prospective customers present feedbacks regarding the attractiveness of the features and benefits offered by the potential product.

Usually, the intention of the company is to gauge the most desirable combination of benefits that customers are willing to pay for.

An instrument such as a questionnaire is used to know the likes and dislikes of customers, which customers are likely to find the product most attractive, what price point would best suit the customer, what trade-offs is the customer willing to make while evaluating the product, the immediacy of the product requirement and how frequently he would buy the product.

These features or benefits are then incorporated into the product development process, which is likely to lead to competitive advantage for the company.

e) Business analysis:

Estimates of sales, cost and profits are made. The company identifies the target market, its size and projected product acceptance over a number of years. The company considers various prices and their implications on sales revenues. Costs and breakeven point are estimated.

Sensitivity analysis is done in which variations from given assumptions about price, cost, customer acceptance are checked to see how they would impact on sales revenue and profit.

Optimistic, most likely and pessimistic scenarios can be drawn up to estimate degree of risk attached to the project. The idea is to test if the proposed product will generate enough revenues and profits to justify the expenses that its development and marketing will entail.

Though it is not possible to draw reliable conclusions from such futuristic analysis, it does force company's executives to peep into what the proposed product can or cannot achieve for the company.

If they decipher that the proposed product has huge potential they can pump more resources and expedite the project. The process permits the commercial instincts of the executives to be put to test.

f) Product development:

The product concept that has found the best acceptance is then developed into a physical product. Components have to be designed in terms of length, width, diameter, angle etc., and arranged to be assembled in a manner which provides the features and benefits of the selected product concept.

Multidisciplinary project teams are established to bring the product to the marketplace. The product development process is faster and results in the development of better, high quality products when engineers, technicians, marketers, finance and production specialists work together in a synergistic fashion.

This also allows the company to let various departments work simultaneously than work in stages using 3D solid modeling, CAD, CAM, thus reducing the time to market, while also reducing the cost of innovations.

R&D would focus on functional aspects of product whereas marketing would keep the project team aware of psychological factors. Marketers need to understand and communicate the important attributes that customers are looking for in the product, even as the product is being developed. Marketing may brief R&D on product concept and the latter will be responsible for the task of turning the concept into reality.

At this stage, the product is tested to analyse its functional performance and the degree of customer acceptance. Paired comparison tests are used to compare the new product with existing or potential competitors in order to give a realistic feel to the consumer decision making process.

Customers compare and judge the overall preference for the product, as well as preference for specific features or benefits offered by various choices available to them.

In monadic placement tests, only the new product is given to users for trial. Experts can also be used. When testing products in business markets, products may be placed with customers free of charge, to check preference.

Products are set up to fail during this stage of innovation process. It is important to exercise certain precautions during this stage.

i. Developers are left to their own devices during this stage. They feel relieved that marketers and other commercially minded people have finally got off their back. They feel that they can finally get in their laboratories and on their workstations and do the real things of getting a blockbuster product to the market. They feel that they can now work in solitude and in isolation.

This is dangerous. Developers have to be kept in the loop in this stage, as they may commit the company to a product that was never envisaged or discussed in any of the earlier stages. It is important to remember that the real and concrete innovation takes place only at this stage. In all prior stages only ideas were being discussed, analyzed and evaluated.

However rigorously defined a product concept may be, it is only a description after all, and the developers can interpret the description very differently from what other players think it should have been.

And since developers give physical form to the idea, they have something more tangible to show and prove their point when other people protest that the physical form is not really a replica of the idea that they had endorsed.

Developers may claim that the physical form has turned out to be better than the idea itself and since they have something tangible to show for their claim they will look more credible than the people who will insist that the original idea was better.

Developers should not be allowed to run amok at this stage as they are capable of coming up with a physical form that will nullify all the hard work of market research and commercial analysis that the company might have put in.

ii. Developers are wary of showing their incomplete designs to other people in the organization because they fear that anybody and everybody will have a suggestion to make, and if they went about incorporating those suggestions there would be nothing in the product that they could call their own. They insist on releasing only their final design. And when this final design reaches manufacturing people, they may express their inability to produce the design or at least not at a reasonable cost. The design is relayed back to the developers who have to modify the design to make it fit for production.

This may happen many times and lot of time is wasted before developers and manufacturers settle on a design fit for production.

But more dangerously, since the developer is modifying his original design to enhance its reducibility he may lose sight of the customer needs that his original design was meant to serve.

So the modified design may be more easily produced but it may have digressed so much from the original design that it may not be serving the customers' needs truthfully. This often happens because the focus of design modification is reducibility and not customer needs.

It is important that developers share their design with manufacturing before they freeze it, so that they get feedback about the producibility of the design. It often happens that by agreeing to make minor changes in the design, cost of manufacturing is reduced drastically.

It is possible to avoid buying new and expensive equipments and make the design on the existing machines, to use less expensive material, to use components that the company is already incorporating in some other model, or simplify manufacturing, if developers pay heed to the suggestion of manufacturing people.

The irrefutable suggestion is that manufacturing people should be closely associated with developers during the product development stage and should be provided preliminary designs and be allowed to comment on its producibility. A good developer will keep a manufacturer as his conscience keeper.

iii. A developer sets out to serve defined customer needs with available set of technologies. But both customer needs and technologies are likely to change during the development process itself. The developer has to anticipate these changes and allow them to be incorporated in the final design.

The developer has to set up mechanisms by which the changing customers' needs and technologies are allowed to creep in and the design process forced to pay heed to them. The developer can delay freezing those parts of the design which are likely to be impacted by changing customer needs and technologies.

At some point in time the developer has to stop taking cognizance of changing customer needs and technologies as it may delay the project by an unacceptable period. But a developer has to realize that it is futile rushing to the market with a product, which is already obsolete at the time of its launch to serve customer's needs which no longer exist.

iv. Product concept has already been tested with customers but a description of the product can never match the physical product in eliciting real reactions of customers. Before the developer freezes the design he has to get it approved by customers.

The physical product has to tested by the customer in actual use, if true worth of the design has to be known. It is undeniably costly and cumbersome to make limited number of products before manufacturing facilities are set up, but companies have to manage it if they do not want to set up manufacturing facilities for products, that customers would not like and would have told them so if they had been given the opportunity to use the product.

To get the real product in as many customer hands as possible and keeping the option to redesign the product in a wholesome manner based on customer feedback, rather than just tweak it, is absolutely imperative to get a successful design.

Developers of information products like software routinely get customers' feedback on their design. There is an urgent need to replicate the concept in development of physical products.

It is also important to note that while virtual prototyping i.e. making a virtual model of the product with the help of software is useful to the developer, to test if he is getting the desired functions and benefits from the components and subsystems that he has designed; it is not useful for getting customers' feedback.

The nuances of product performance decide the success or failure of a new product and customers can get a real 'hang' of the product only from a real product.

v. It is important to understand that a company should be willing to do 'anything' to increase the probability of success of a new product. The probability of success of the new product should govern every decision that the company takes about the innovation process.

If a new product fails, all the effort, time and money expended in developing it comes to naught. If a few more million dollars, and a few more months can improve the chances of the new product succeeding in the market, the company should go ahead and commit itself to them It is never a good idea to save a few million dollars and few months and sink a few billion dollars and few years in the bargain.

g) Market testing:

So far in the product development process, potential customers have been asked if they intend to buy the product, but have never been placed in the position of having to pay for it. Now customers are forced to vote with their money.

The company seeks to have a limited launch for the product in the marketplace so that it can gauge the initial customer response in true test conditions.

The feedback obtained from this launch guides the company's decision to continue with the large scale commercialization of the project, or to abandon it.

Ideally, the feedback that is obtained from the test sample should be as realistic as possible, i.e., the profile of the sample of respondents should closely resemble the profile of prospective customers in the actual marketplace, and they should be buying the product from a realistic retail setup as they would actually do.

For instance, a sample of customers may be recruited to buy their groceries from a mobile supermarket which visits them once a week. They are provided with magazines in which advertisements for the new products appear. Key success indicators such as penetration (the proportion of customers who buy the new product at least once) and repeat purchase (the rate at which purchasers buy again) can be found out.

If the penetration is high but repeat purchase low, it is important for the company to ascertain the reasons for lack of repeat purchase. In case of any problems pertaining to specific aspects of the marketing mix, such as price points, product features, packaging, or availability, the company can take corrective measures.

But if the company finds out that corrections are now impossible, or that the cost involved in remedial actions would outweigh the benefits, it can decide to withdraw the product from the market.

Test marketing involves the launch of the new product in one or few geographical areas chosen to be representative of its intended market. The product is positioned and promoted the same way as it would be done in case of a full-scale launch.

The new product is made available in select distribution outlets so that the real-time response of customers in terms of parameters such as purchase, amount of time spent in evaluation, or repeat purchase can be tracked vis-a-vis competing products.

As the characteristics and composition of customers in the test market resemble the characteristics of customers in the entire target market, the results of test marketing can be extrapolated for the entire market. Marketers take decisions about the modification of some part of the marketing mix, and even about the continuation of the product launch according to the results of test marketing.

Test towns and areas may not be representative of the national market and thus sales projections may be inaccurate. Competitors may invalidate the test market by giving distribution incentives to stock their product, thereby denying the new product shelf space.

Test markets need to be long enough to measure the repeat purchase rate for the product. This can mean a delay in national launch stretching to many months and years. In the meantime more aggressive competitors can launch a rival product nationally and therefore gain pioneer advantage. Getting the co-operation of distributors is important.

Distributors may not want to cooperate for conducting test marketing, or they may charge exorbitant fees for the activity.

The most important rationale for test marketing is that, the results obtained from it help the company to concretize its marketing strategies for the full-scale launch of the product. This is undoubtedly more efficient than making costly blunders after the full-scale product launch.

A company may also choose to test several combinations of the variables in the marketing mix to ascertain the optimal one. This process is used very often for FMCG products where a test market is typically conducted in a few cities in a country.

For very expensive equipment's, it is impractical. Globally, when a company does a phased product launch, it can apply the lessons learnt from one country market, in another country where the product, consumer and market characteristics may bear close resemblance to each other.

h) Commercialization and diffusion of innovation:

Choice regarding target market to whom the product should be sold first and product positioning that will be attractive to the first target market has to be made. The fundamental process that defines the success of an innovation is its diffusion rate.

Therefore, the target market for the innovation has to be decided by understanding the process of diffusion of innovation. The spread of an innovation is called diffusion, and when an individual customer unit buys the new product, it is called adoption.

Thus, when many customers adopt the new product quickly, the diffusion is fast, and the diffusion rate is high. The new product is successful. And when either the number of customers who adopt the new product is low, or the process of adoption is slow, the diffusion rate is low. The rate of diffusion depends on:

i. The characteristics of the innovation, i.e., an innovation having a relative advantage over existing options in the market, that fulfill the same needs of the customers, is more likely to be successful,

ii. The social system or the target market where the innovation is introduced,

iii. The channels of communication used by the marketer to explain the innovations to prospective customers and,

iv. The amount of time that has lapsed since the introduction of the innovation.

Fundamentally, all members of the target market are not equally receptive to the new product as they are in different states of readiness, and ability to take risk varies. It is important that in the initial phase of launch, the company targets customers who are more likely to buy the new product than others.

The process of adoption will be slower if the company targets the whole market in the initial phase of the launch, as a large part of the market will not be interested in the product or will be suspicious about it at this stage. A launch targeting the whole potential market will also be expensive compared to the adoption achieved.

Customers feel comfortable in trying the new product when they find significant people possessing the product. Students will feel comfortable buying a text book when they find that the toppers of their class are using the same book.

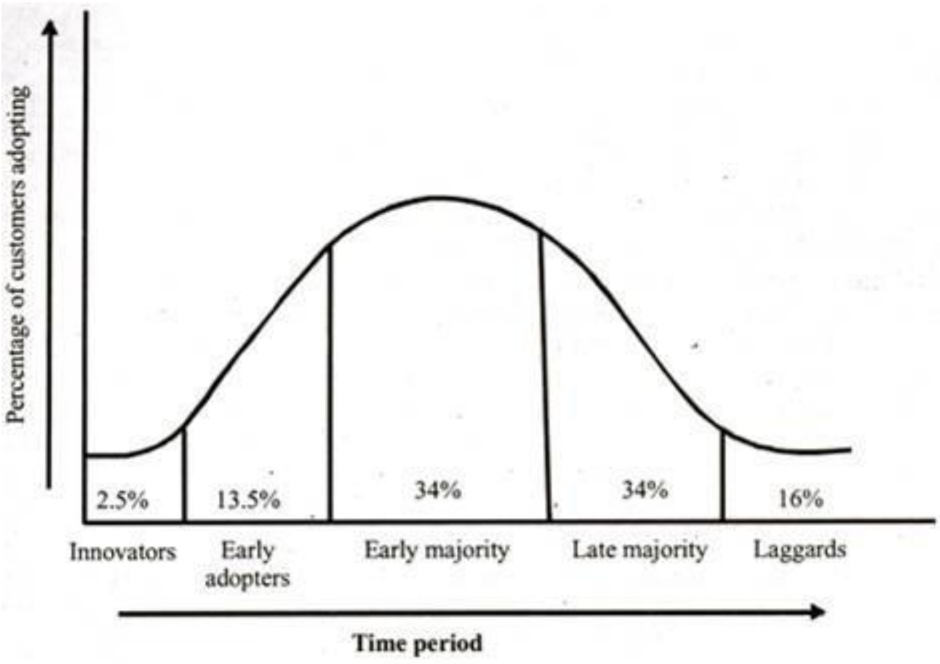
In every product category, there would be customers who would know more about the product, or would want the best product, or would know more about whether a certain product would work or not. The average customers look up to such savvy or knowledgeable customers for advice or reassurance. It is important to place new products in the hands of such people who act as references or guides for average customers.

The first set of customers who should be targeted are the ones who are most likely to buy the new product. These first buyers are called Innovators. It is difficult to characterize innovators because they differ from one category to another.

Market research has to be carried out to find innovators of a category. The most important characteristic that defines an innovator is venturesomeness, i.e., his ability to take risks is higher than the rest of the target market.

Therefore, he is willing to buy a new product that has hitherto not been tested in the market. Research reveals that in consumer markets, the customers who take higher risks are better educated, wealthier and younger, than the rest of the target market.

And in business markets, the innovators comprise companies that are large and profitable, have well educated and progressive leadership and management at the helm, and are innovators in their own markets.



Diffusion of Innovation

The set of customers who buy the product next are called early adopters. Early adopters cannot take the risk of buying the product first. They feel assured that someone before them has bought and used the product, so that they could observe how the product works.

But they soon follow the lead. They are also relatively affluent and self confident enough to adopt the new product that is not yet very successful. Among the innovators and early adopters are a group of people called the opinion leaders.

Opinion leaders are critical in hastening the process of diffusion of the new product as they influence other prospects to adopt the new product. The credibility of the opinion leaders is much higher than the communication sent by the company, as they are considered to be independent sources, and moreover, they are usually part of the reference groups of the customers in the target market.

The next categories of consumers are the early majority and the late majority, who usually comprise more than two-thirds of the market for the new product.

The Early majority are deliberate and cautious. They wait to see the product being accepted by the market before they adopt it themselves. And the Late majority are more cautious and skeptical than the Early majority. They wait till a large part of the market adopts the product before buying it. Social pressures move them to purchase.

The last category of consumers is Laggards. They are traditional. Usually, they comprise of the older, less educated and not very well off portion of the target market. They wait till the product becomes a part of an accepted tradition before deciding to buy it.

It is important to understand the characteristics of consumers in the process of diffusion of innovation. Marketers should first target Innovators and Early adopters while introducing an innovation in the market as they exhibit the least resistance to adoption of an innovation.

Thus, the marketer will be able to earn revenues from these consumers early, enabling him to establish a foothold for the new product. This is important because, initially the high investments in product development and launch can be offset, only when the company earns enough revenues from these customers as early as possible.

This will enable the innovation to sustain in the market. The Innovators and Early adopters can be identified by the company by conducting marketing research.

The characteristics of consumers enable the company to perform the process of segmentation and targeting. Innovators and Early adopters would be the first target markets for the company.

The diffusion of innovation curve is strongly linked to the product life cycle curve. During the introduction phase, few consumers buy the product, coinciding with the small percentage of Innovators in the market. The sales gradually increase, signifying the entry of the early majority.

As the sales rise sharply and reach a plateau, the early majority and a percentage of the late majority adopt the product. The stable sales curve in the PLC signifies repurchase by these groups. A part of the late majority and the Laggards enter during the decline stage.

As the profile of users keeps undergoing a change, companies need to change their marketing strategies over the PLC.

The main purpose of the marketing strategy of a company is to yield competitive advantage. Initially, it is critical for the company to understand the characteristics and needs of the Innovators and the early adopters as they are vital for the success of an innovation. In the initial phase of the launch, the positioning of the new product should be for innovators and early adopters.

It is also important for the marketers to reduce the resistance of these consumers while adopting the new product. This can be' done by clearly communicating the relative advantage of the new product. Primarily, the marketer must give consumers adequate reasons to buy the new product.

Therefore, the new or improved product must yield sufficient value for the consumer to induce him to buy it. Research reveals that the rate of diffusion is faster when the product is compatible with the existing values, beliefs and experiences of consumers-compatibility.

It is not extremely complex to understand or use (or the marketer gives elaborate explanations to overcome complexity)-complexity, when consumers can easily observe and understand the usage and advantages of the product-communicability, and consumers can try out the new product before buying it—trialability.

Marketers should devise launch strategies that allow low cost and risk free trial of more expensive innovations. A company can offer the product on lease or offer to take back the product if the customers do not find it useful or can arrange and manage a sharing arrangement between customers.

The idea is to reduce the risk of customers in using the new product. Whenever the benefits of the new product will accrue over a period of time, it is more difficult for consumers to understand the advantages of the new product.

The marketer should ensure that the relative advantages of the new product are clearly communicated to consumers. Nothing should be presumed to be obvious. Communication to consumers should be clear and convincing. Promotion showing opinion leaders accepting and using the product is important.

Marketers must always remember that consumers give up an existing way of solving a problem in order to adopt a new one-they do not merely adopt the new product. Therefore, they must evaluate what the consumer is giving up in order to gain the new product.

The loss experienced by the consumer in giving up the existing solution should not outweigh the gains that they make from adopting the new product.

Also, he must attempt to ascertain the degree of difficulty that the consumer would experience in order to give up the existing solution. The more difficult it is for the consumer to give up the existing solution, the greater is his resistance to adopting the new product.

3.1.4 Product Life Cycle and Marketing Mix.

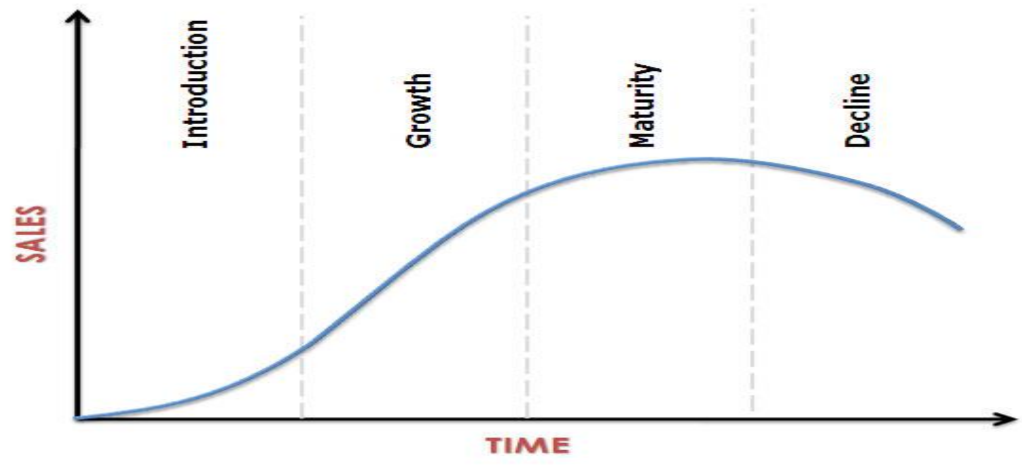
A new product passes through set of stages known as **product life cycle**. Product life cycle applies to both brand and category of products. Its time period vary from product to product. Modern **product life cycles** are becoming shorter and shorter as products in mature stages are being renewed by market segmentation and product differentiation.

Companies always attempt to maximize the profit and revenues over the entire life cycle of a product. In order to achieving the desired level of profit, the introduction of the new product at the proper time is crucial. If new product is appealing to consumer and no stiff competition is out there, company can charge high prices and earn high profits.

Stages of Product Life Cycle

Product life cycle comprises four stages:

1. Introduction stage
2. Growth stage
3. Maturity stage
4. Decline stage



Product Life Cycle (PLC)

- **Introduction Stage**

At this stage the product is new to the market and few potential customers are aware with the existence of product. The price is generally high. The sales of the product is low or may be restricted to early adopters. Profits are often low or losses are being made, this is because of the high advertising cost and repayment of developmental cost. At the introductory stage :-

- The product is unknown,
- The price is generally high,
- The placement is selective, and
- The promotion is informative and personalised.

  At **introduction stage**, the company core focus is on establishing a market and arising demand for the product. So, the impact on **marketing mix** is as follows:

- **Product**

  Branding, Quality level and intellectual property and protections are obtained to stimulate consumers for the entire product category. Product is under more consideration, as first impression is the last impression.

- **Price**

  High(skim) pricing is used for making high profits with intention to cover initial cost in a short period and low pricing is used to penetrate and gain the market share. company choice of pricing strategy depends on their goals.

- **Place**

  Distribution at this stage is usually selective and scattered.

- **Promotion**

  At **introductory stage**, promotion is done with intention to build brand awareness. Samples/trials are provided that is fruitful in attracting early adopters and potential customers. Promotional programs are more essential in this phase. It is as much important as to produce the product because it positions the product.

➢ **Growth Stage**

At this stage the product is becoming more widely known and acceptable in the market. Marketing is done to strengthen brand and develop an image for the product. Prices may start to fall as competitors enters the market. With the increase in sales, profit may start to be earned, but advertising cost remains high. At the growth stage :-

- The product is more widely known and consumed,
- The sales volume increases,
- The price begin to decline with the entry of new players,
- The placement becomes more widely spread, and
- The promotion is focused on brand development and product image formation**.**

  During this stage, firms focus on brand preference and gaining market share. It is market acceptance stage. But due to competition, company invest more in advertisement to convince customers so **profits may decline near the end of growth stage**. Affect on **4 P's of marketing** is as under:

- **Product**

  Along with maintaining the existing quality, new features and improvements in product quality may be done. All this is done to compete and maintain the market share.

- **Price**

  Price is maintained or may increase as company gets high demand at low competition or it may be reduced to grasp more customers.
- **Distribution**

  Distribution becomes more significant with the increase demand and acceptability of product. More channels are added for intensive distribution in order to meet increasing demand. On the other hand resellers start getting interested in the product, so trade discounts are also minimal.
- **Promotion**

  At **growth stage**, promotion is increased. When acceptability of product increases, more efforts are made for brand preference and loyalty.

➢ **Maturity Stage**

At this stage the product is competing with alternatives. Sales and profits are at their peak. Product range may be extended, by adding both withe and depth. With the increases in competition the price reaches to its lowest point. Advertising is done to reinforce the product image in the consumer's minds to increase repeat purchases. At maturity stage :-

- The product is competing with alternatives,
- The sales are at their peak,
- The prices reaches to its lowest point,
- The placement is intense, and
- The promotion is focused on repeat purchasing**.**

  At this stage, there are more competitors with the same products. So, companies defend the market share and extending **product life cycle**, rather than making the profits, By offering sales promotions to encourage retailer to give more shelf space to the product than that of competitors. At this stage usually loyal customers make purchases. **Marketing mix** decisions include:
- **product**

  At maturity stage, companies add features and modify the product in order to compete in market and differentiate the product from competition. At this stage, it is best way to get dominance over competitors and increase market share.

- **Price**

  Because of intense competition, at maturity stage, price is reduced in order to compete. It attracts the price conscious segment and retain the customers.

- **Distribution**

  New channels are added to face intense competition and incentives are offered to retailers to get shelf preference over competitors.

- **Promotion**

  Promotion is done in order to create product differentiation and loyalty. Incentives are also offered to attract more customers.

➢ **Decline Stage**

At this stage sales start to fall fast as a result product range is reduced. The product faces reduced competition as many players have left the market and it is expected that no new competitor will enter the market. Advertising cost is also reduced. Concentration is on remaining market niches as some price stability is expected there. Each product sold could be profitable as developmental costs have been paid at earlier stage. With the reduction in sales volume overall profit will also reduce. At decline stage :-

- The product faces reduced competition,
- The sales volume reduces,
- The price is likely to fall,
- The placement is selective, and
- The promotion is focused on reminding**.**

At this stage market becomes saturated so sales declines. It may also be due technical obsolescence or customer taste has been changed.

At decline stage company has three options:

1. Maintain the product, Reduce cost and finding new uses of product.

2. Harvest the product by reducing marketing cost and continue offering the product to loyal niche until zero profit.
3. Discontinue the product when there’s no profit or a successor is available. Selling out to competitors who want to keep the product.

At **declining stage,** marketing mix decisions depends on company’s strategy. For example, if company want to harvest, the product will remain same and price will be reduced. In case of liquidation, supply will be reduced dramatically.

Limitations of Product Life Cycle (PLC)

Product life cycle is criticized that it has no empirical support and it is not fruitful in special cases. Different products have different properties so their life cycle also vary. It shows that **product life cycle** is not best tool to predict the sales. Sometimes managerial decisions affect the life of products in this case **Product Life Cycle** is not playing any role. product life cycle is very fruitful for larger firms and corporations but it is not hundred percent accurate tool to predict the life cycle and sales of products in all the situations.

3.2 Branding Strategy

Many companies are multi product companies, serving multi markets. Some of these products are weak and others are strong. Some products will require investment to finance their growth, others will generate more cash than they need. Companies must decide how to distribute their limited resources among competing needs of products to achieve the best performance for the company. Management needs to decide which brands/ product lines to the company. Management needs to decide which brands/ product lines to build, hold or withdraw support. Portfolio planning is the process of managing groups of brands and product lines.

A brand is more than just a product. It is a contract between the customer and the creator. It embodies a meaning, gives direction and defines unique

UNIT-IV PROMOTION AND PLACEMENT MANAGEMENT

Structure

4.1 Integrated Marketing Communication (IMC)
4.2 Tools of Promotion
4.3 Promotional Strategy
4.4 Distribution System
4.5 Function of Wholesaler and Retailer

4.1: Marketing Communication Marketing communications (MC, marcom(s), marcomm(s)) uses different marketing channels and tools in combination: Marketing communication channels focuses on any way a business communicates a message to its desired market, or the market in general. A marketing communication tool can be anything from: advertising, personal selling, direct marketing, sponsorship, communication, promotion and public relations.

Marketing communications are made up of the marketing mix which is made up of 4P's: Price, Promotion, Place and Product, for a business selling goods, and made up of 7P's: Price, Promotion, Place, Product, People, Physical evidence and Process, for a service based business.

Overview:

Marketing communications includes advertising, promotions, sales, branding and online promotion. The process allows the public businesses use to know or understand a brand. Successful branding involves targeting audiences who appreciate the organization's marketing program.

Advertising is a small but important part of marketing communications; the marketing communications mix is a set of tools that can be used to deliver a clear and consistent message to target audiences. It is also commonly called the promotional mix. Crosier (1990) states that all terms have the same meaning in the context of the 4ps: Product, price, place and promotion. Price can send a message to the target audience. For example, comparing a $50 bag to a $10 bag, the former may be view as a luxury or more durable item. The marketing plan identifies key opportunities and threats, set objectives and develops an action plan to achieve marketing goals. Each section of the 4P's sets its own object; for instance, the pricing objective might be to increase sales in a certain geographical market by pricing their own product or service lower than their competitors.

This creates a significant change in the market because more people of the target market would aim to do business with your organization than your competitors, because pricing is one of the most significant aspects of marketing that can change the whole market positively and or negatively.

Communication :

Communication is one important aspect of the marketing mix. Marketing communication is often the largest component of communication within a company, which may be to present company values, objectives or specific products and services to investors, customers or the general public. In the 21st century, communications objectives focus on more customized messages, targeting customer groups or individuals to create high responses and greater brand interaction. As business becomes increasingly global with greater access to Internet, mobile phones and social media, new challenges exist to inform people in targeted foreign markets. Shifts in the global economy and access to new markets lead also to greater demands for product shipping and associated services.

To be effective, communication strategies must converge with marketing objectives while also accounting for local languages, dialects and cultural norms.

External communications might involve market research questionnaires, office website, guarantees, company annual report and presentations for investors. Internal communication can be the marketing materials, price list, product catalogues, sales presentations and management communications. On the other hand, each market demands different types of communications. For example, the industrial market demands a more personal communication but the consumer market demands non-personal communication.

There are also 4 different fundamental types of communication.

One-to-many: this kind of communication is the most original communication. It is "generated from a single broadcast point and then available over airwaves or in mass print runs". This type of communication is usually adapted to news distribution that does not specific not even interactive. Such as in an urgent notice play over airwave from broadcast in an industry, it is helpful for the general announcement.

Many-to-one: many-to-one is usually connected to the one-to-many communication. For example, a reply button in your email box, a prepaid number bought from Spark. All the communication techniques proceeded to the public with bi-directional communication from mass communications.

One-to-one: this is the most intensive and interactive communication at a one-to-one level. There are so many examples like a sales presentation; a negotiation in the market or direct delivery is base on the one-to-one communication. Most of this communication is face to face. But in the development of Internet, email and online shopping are taking place the chance to face to face of people.

Which is provided the chance to sellers and buyers talk more directly. Another important is instant message 'chat' channel like Wechat and Facebook, which are becoming extremely popular in business.

Many-to-many: on the background of highly developed Internet, the many-to-many communication has been growing up such as online chat rooms, 'blogging' websites. The many-to-many communication stands for the participants are able to exchange their ideas and experiences. One-to-one is more immediate, while the many-to-may channels tend to be less urgent but with greater longevity.

Transactional Model of Communication:

Communication can be defined as process of using, word, sound or visual cues to supply information to one or more people. A communication process is defined as information that is shared with the intent that the receiver understands the message that the business intended to send.

The communication process was once thought of as having the source of the message, which is then encoded, put through the chosen communication channel, which is then decoded by the recipient and then received. Throughout the middle of the channel there is the potential for noise to distort the message being sent. Once the receiver has the message they then give feedback to the original source, where they then find out whether the campaign has been successful or not. With the prevalent use of technology, customers are seeking out information about brands, products and businesses prior to purchase. This means that there is a need for an additional channel within the communication process, so it is a more accurate representation of the current business environment.

Businesses are now having to take into consideration that both opinion leaders and opinion formers who have a great influence over today's society and their perceptions. So they have to be included into the communication process before the recipient of the message receives it. This model is more effective when there is common ground between the senders and receivers so they can communicate effectively. Choosing the appropriate source helps develop the message and appeal to the targeted audience. The source will be more effective if they are relatable to the target audience. This realm of understanding is represented by the overlapping circles. The more knowledge the source has about who they are targeting, the better they can understand how the receiver may interpret or react to the message.

The components of the transactional model are:

Source: The source is an individual or organization that has information to share. The source (or sender) creates and sends the information to another person or group of people. The source maybe an individual (e.g. a sales person or spokesperson) or a non-personal identity (e.g. a corporation or organization). The communication process begins with the source, marketers must carefully choose a source as it affects how the message will be perceived by the target audience.

Encoding: This is transposing the intended meaning of the message with words, symbols or pictures to show a message. Encoding is the development of the message that contains the information the source hopes to convey. It is putting together the thoughts, ideas and information into a symbolic form that can be transmitted and understood by the receiver. Encoding the message is the second step in the communication process. The encoding process leads to development of a message that contains the information or meaning the source hopes to convey. Encoding is extremely important, it is a brain activity that takes effect when the receiver makes sense of a brand message or idea used to convey meaning: words, colour, pictures, signs, symbols or even music. The message may be verbal or nonverbal, oral or written, or symbolic (e.g. the sound of a brass band being redolent of simpler times or heritage). or it can often include 'cues' such as the Nike 'swoosh' which indicates success. Often things can get in the way of the "correct" encoding and the interpretation of the intended message (decoding). There are methods the sender can use to make sure the receiver interprets the message correctly, these methods include; channels, consumer insights, having similarities with the receiver and frame of reference (e.g. age, values, culture). Finally, it is extremely important for the sender to get to know its receiver and this is accomplished through research for targeting strategy. These concepts help craft the intended message in the minds of the consumer.

Message: The message comes from the encoding process; it is the content, meaning or information the sources hope to convey. The message can be in many forms such as verbal, non-verbal, oral, written or symbolic. Channel: The channel is the method by which the communication travels from the source or sender to the receiver.

There are two types of channels, personal and non-personal.

Personal channels of communication are direct and target individual groups. Personal communication channels are connected with two or more persons who communicate directly with each other face-to-face, person-to-person through telephone, email or fax. Social channels also fall under the category of personal communications. Friends, neighbors, associates, coworkers, or family members are all means of social channels.

Non Personal Communication: Carrying a message without interpersonal contact between sender and receiver is known as non-personal channels of communication. Mass media or mass communications are examples of non-personal channels, since the message is sent to many individuals at one time. Non-personal channels of communication are made up out of two main types, the first being print.

Print media includes newspapers, magazines, direct mail, and billboards.

The second type is broadcast; broadcast media includes radio and television.

Decoding: The receiver unravels the symbols to interpret what is being communicated. Transforming the sender's message back into thought. This is influenced greatly by the receiver's frame of reference (or realm of understanding) which involves their values, attitudes and state of mind when receiving the message. For the model to be effective the decoding by the receiver would match the encoding by the source, meaning they correctly understand the message that was sent.

Decoding is the process of interpreting messages and relies on correct encoding and the ability of the receiver to deconstruct transmitted meaning. Decoding occurs when the message reaches one or more of the receiver's senses. Consumers both hear and see television ads, others consumers handle (touch) and read (see) an advertising offer (e.g. coupon). According to Belch & Belch this process is deeply influenced by the receiver's frame of reference or field of experience, which refers to the experiences, perceptions, attitudes, and values he or she brings to the communication situation. For effective communication to occur, the message decoding process of the receiver must match the encoding of the sender. Over this entire means the receiver comprehends and correctly translates what the source is trying to communicate.

Effective communication is more likely to emerge when there is some common ground between the two parties. The more familiarity the sender has about the receivers, the better the sender can understand their needs, commiserate with them, and over all communicate more effectively.

Receiver: The individual (s) that the source shares thoughts or information with. The receiver hears, sees or reads the message and decodes it.

Noise: Noise is any external interference during this communication process. Any external factors that creates unplanned distortion. This distortion can make it difficult for the receiver to interpret or assign meaning to a message as it was intended by the source. Examples of noise in the encoding of the message could be lack of radio or television signal. Noise can also occur when the sender and receivers fields of experience do not overlap, if there is no common ground between them, which may result in a misunderstanding in the meaning of the message. Throughout the communication process, the message is subject to irrelevant factors that can distort or interfere with its reception.

Noise is the physical or Psychological fundamentals either from inside or outside of the process of communication. Noise acts as a barrier as it makes the message less accurate, less productive and unclear. It may even prevent the message from ever reaching the receiver. Physical noise is often triggered by badly made images or messages (e.g. poor print quality) or elements of distraction (e.g. consumer scrolling through TV advertisements). Psychological noise could be mixed meanings, poor credibility of source or the insignificance of the message to the consumer requirements. Not having a connection with the receiver and lacking in common ground usually cause this. This may result in unsuitable encoding of the message such as; using a sign, symbol, or word that is unfamiliar or has different meaning to the receiver (e.g. sending a message in foreign language that is not understood by the receiver). The more common ground there is between the sender and the receiver, the less likely it is for noise and barriers to interrupt a message.

Response/Feedback: The receiver's reaction to the message provides feedback to the sender. This is the set of reactions after seeing, hearing or reading the message. The receiver's response is the feedback and lets the sender know how the message was decoded and received. A form of feedback in an interpersonal selling situation could be questions, comments or any reactions (such as expressions) about the message. In mass media an indication of how the marketing communications were perceived is the amount of sales after the message has been sent. There are many different ways such as attitude change, store visits and inquires that provide feedback in mass media. Feedback can help to improve the communication process and the success of future messages. The receiver's particular type of reactions after seeing, hearing, or reading a message is known as a response. Receivers' responses can range from either non noticeable actions or noticeable actions. Non noticeable responses can be storing their information in memory and noticeable responses are immediate action such as dialing the commercials number to order a product advertised on television.

One of the main goals of communication is receiving appropriate receiver responses, feedback closes the loop in the communications flow and lets the sender monitor how the intended message is being decoded and received. To achieve this goal one can ask indirectly or directly for the response, or assist the receiver in giving the response.

Receiving feedback can be more difficult for parties that advertise through the channels of mass media, because advertisers are not in direct contact with their customers so other methods must be obtained to determine how their messages have been received. While the critical form of feedback happens through sales, it is often hard to show a direct relationship between advertising and purchase behavior. So marketers; visit stores, check coupon redemption, use reply cards and listen to customer inquiries to achieve feedback. Once a significant amount of feedback/response study has been gathered advertisers would then have enough information to determine reasons for success or failure in the communication process and from there they can make appropriate adjustments. Integrated marketing communications Integrated marketing communications (IMC) is the use of marketing strategies to optimise the communication of a consistent message of the company's brands to stakeholders.

Coupling methods together improves communication as it harnesses the benefits of each channel, which when combined together builds a clearer and vaster impact than if used individually. IMC requires marketers to identify the boundaries around the promotional mix elements and to consider the effectiveness of the campaign's message. In the mid to late 1980s, the marketing environment was undergoing profound environmental changes with implications for marketing communications. Media proliferation, audience fragmentation, globalisation of markets, the advent of new communications technologies, the widespread use of databases meant that the old methods, and practices used in mass marketing were no longer relevant. In particular, the rise of digital and interactive media meant that marketers were relying less on advertising as the dominant form of marketing communications. Amongst practitioners and scholars, there was an increasing recognition that new approaches to marketing communications were required. That new approach would become known as integrated marketing communications.

A number of empirical studies, carried out in the early 1990s, found that the new IMC was far from a "short-lived managerial fad," but rather was a very clear reaction by advertisers and marketers to the changing external environment.

Integrated marketing communications is a holistic planning process that focuses on integrating messages across communications disciplines, creative executions, media, timing and stakeholders. An integrated approach has emerged as the dominant approach used by companies to plan and execute their marketing communication programs and has been described as a paradigm shift. IMC unifies and coordinates the organizations marketing communications to promote a consistent brand message. Coordinating the brands communications makes the brand seem more trustworthy and sound as it is seen as a 'whole' rather than a mixture of different messages being sent out. The IMC perspective looks at the 'big picture' in marketing, advertising and promotions.

4.2: TOOLS OF PROMOTION:

Promotion is the aspect of marketing that involves delivery of company, brand or product messages to target customers. Traditional methods of promotion, like print and television ads, are nowadays augmented by new avenues of messaging made possible by digital communications. Several tools are used by companies to aid the delivery of both paid and unpaid promotional methods. Each tool contributes a different way to reach customers and achieve communication objectives.

The Promotion Mix refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

The fourth element of the 4 P’s of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase. The several tools that facilitate the promotion objective of a firm are collectively known as the Promotion Mix.

The Promotion Mix is the integration of Advertising, Personal Selling, Sales Promotion, Public Relations and Direct Marketing. The marketers need to view the following questions in order to have a balanced blend of these promotional tools.

- What is the most effective way to inform the customers?
- Which marketing methods to be used?
- To whom the promotion efforts be directed?

- What is the marketing budget? How is it to be allocated to the promotional tools?

Elements of Promotion Mix

Promotion is a key part of marketing programme and is concerned with efficiently and effectively communicating the decisions of marketing strategy to target audiences. It is the marketing function concerned with persuasive communication of the marketing programme to target audience with the intent to facilitate exchange between the marketer and the customer, which may satisfy the objectives for both the customer and organization. Promotion is targeted to the target audiences. It is also goal oriented and the objective may be to create brand awareness, to educate the consumers, to create a positive image, to build preference. The ultimate goal is to sell the product or service to consumers who have a need of it.

The following are the important types of marketing promotional tools

- Advertising
- Personal Selling
- Sales Promotion
- Public Relations
- Direct Marketing

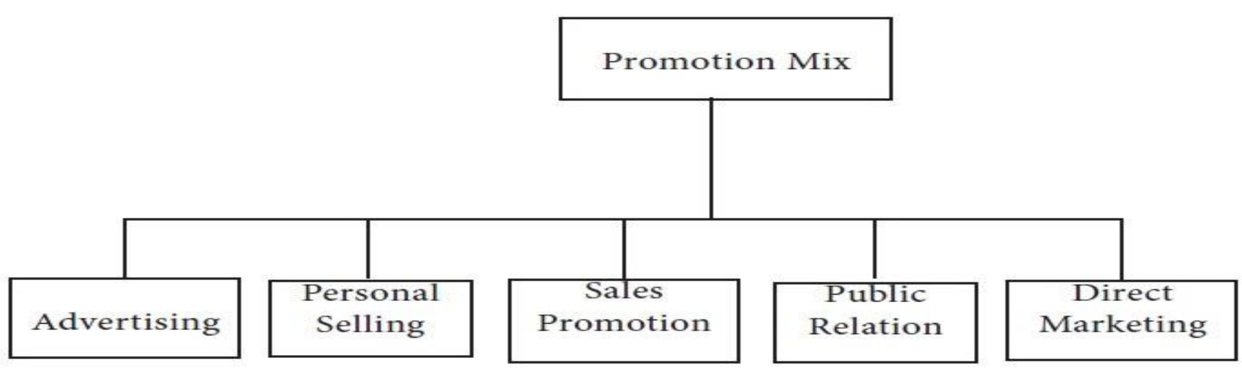


Fig. 1

In a time when customers are exposed daily to a nearly infinite amount of promotional messages, many marketers are discovering that advertising alone is not enough to move members of a target market to take action, such as getting them to try a new product. Instead, marketers have learned that to meet promotional method in conjunction with advertising. Other marketers have found that certain characteristics of their target market (e.g., small but geographically dispersed) or characteristics of their [product (e.g., highly complex) make advertising a less attractive option. For these marketers better results may be obtained using other promotional approaches and may lead to directing all their promotional spending to non-advertising promotions. Finally, the high cost of advertising may drive many to seek alternative, lower cost promotional techniques to meet their promotion goals.

4.2.1 Advertising:

The use of paid media by a seller to communicate persuasive information about its products, services, or organization—is a potent promotional tool. Advertising takes on many forms (national, regional, local, consumer, industrial, retail, product, brand, institutional, etc.) designed to achieve a variety of objectives (awareness, interest, preference, brand recognition, brand insistence). Advertising decision-making consists of objectives setting, budget decision, message decision, media decision, and ad effectiveness evaluation. Advertisers should establish clear goals as to whether the advertising is supposed to inform, persuade, or remind buyers. The factors to consider when setting the advertising budget are: stage in the product life cycle, market share, competition and clutter, needed frequency, and product substitutability. The advertising budget can be established based on what is affordable, as a percentage budget of sales, based on competitors' expenditures, or based on objectives and tasks, and based on more advanced decision models that are available. The message decision calls for generating messages, evaluating and selecting between them, and executing them effectively and responsibly. The media decision calls for defining the reach, frequency, and impact goals; choosing among major media types; selecting specific media vehicles; deciding on media timing; geographical allocation of media. Finally, campaign evaluation calls for evaluating the communication and sales effects of advertising, before, during, and after the advertising. Sales promotion and public relations are two tools of growing importance in marketing planning. Sales promotion covers a wide variety of short-term incentive tools designed to stimulate consumer markets, the trade, and the organization’s own sales force. Sales promotion expenditures now exceed advertising expenditures and are growing at a faster rate. Consumer promotion tools include samples, coupons, cash refund offers, price packs, premiums, prizes, patronage rewards, free trials, product warranties, tie-in promotions, and point-of-purchase displays and demonstrations. Trade promotion tools include price-off, advertising and display allowances, free goods, push money, and specialty-advertising items. Business promotion tools include conventions, trade shows, contests, sweepstakes, and games. Sales promotion planning calls for establishing the sales promotion objectives, selecting the tools, developing, pretesting, and implementing the sales promotion program, and evaluating the results.

Different Types of Advertising

- **Financial Advertising**

  Financial advertising is generally targeted towards the fund attraction channels so that the company is able to fill up its coffers with the investments made from outside by external investors, potential shareholders and amazing advisers. And that’s when the financial or business sections in the newspapers come in handy for the company.

  The company puts up its advertisements about the latest of its achievements, opportunities and any other thing that can assist the business in growing itself up. This keeps the interest of the audience that wants to hear about the company bound to it. So, just feel the first thought that comes to the mind of your audience when it sees your advertisement in any of the types of advertising medium like television, newspaper or even radio and makes use of that feeling in creating that supreme advertising tactic that is able to take your brand beyond success.

- **Product Advertising**

  Some marketers think of advertising as a huge drainage to the brand's treasury, but still product advertising is one of the main objectives that any brand would want to pursue. Also this forced the marketers rethink the definition and benefits of types of advertising. Since, it lets a company educate its customer base about a new product that it has recently added to its products line or any new feature update that the brand would like the customers to know, therefore, it is one of the main marketing tools that any business can have in its tool belt. If we take it to a further refined level, then product advertising comes into play when a brand has already decided to unveil its new product or even a whole new product range in front of its customer base.

  To reap out the best out of these advertisement techniques, they should better focus the interest of customers than any other thing in mind. Moreover, the choice of proper marketing material along with the proper media type is also important. This thing can be better illustrated by the thinking a company that puts up a campaign to promote its new food related product but ends up in failure because of low-level knowledge about the ways of handling the changes in the market along with a weaker call to action message. On the other hand, a company promoting a washing detergent can end up bringing up different plant managers, finance directors as well as production engineers.

- **Corporate Advertising**

  Can you tell me what can be counted as a greater success for a company that belongs to the field of supplying products to other companies? Well! Definitely, a great, huge contract! And that's what the corporate advertising is supposed to do for a business since it targets the companies who are involved in brand to brand businesses.

  Any client that enters the market, searches around for the best possible solutions to its problems and demands. Moreover, when choosing a supplier for a particular need of the normal functioning of the brand, they evaluate nearly each and every one of them and choose the one, which they think will be capable of adapting to their needs and can provide the product of desired quality and that too on the promised time or even before that.

Corporate advertising acts as a powerful tool for giving the confidence of prospects and clients, a safe boost so that they are able to get the true picture of your brand's capabilities and the product's features. Moreover, it belongs to the types of advertising which provide a mean of communicating the brand's position in the market along with its financial stability, thus letting the atmosphere of trust and confidence to grow up.

- **Direct Response Advertising**

  These types of advertising techniques involve the encouragement that makes a prospect put in its general detail like its name and email in most of the cases. But in some cases, it can go down to include a phone number or even their address and all this for getting a free gift in return. Well! Not just a gift, but it can include anything in which a customer shows its interest like a special discount that's meant to be used just by that prospect. For the purpose, the advertising gateway is provided with a response mechanism like telephone number, website address, email address or even a reply coupon.

4.2.2: Sales Promotion:

Sales promotion covers those marketing activities other than advertising, publicity, and personal selling that stimulate consumer purchasing and dealer effectiveness. Sales promotion mainly involves short-term and non-routine incentives, offered to dealers as well consumers. The popular methods used for sales promotion are demonstration, trade show, exhibition, exchange offer, seasonal discount, free service, gifts, contests, etc.

These Promotional tools include sales promotion which further contains a broad assortment of elements like

- Coupons
- Cent-off Deals

- Premiums
- Other Tools

The tools of sales promotion are applied to boost sagging sales by attracting the customers and offerings of distinct incentives of purchase. A quick response is generated by using this promotion tool for sales promotion. If advertising is related to "buy our product" then sales promotion is the representation of "buy the product now".

In the short run, sales promotion can be regarded as an effective promotion tool, but in the case of the long run it is not favorable in developing long-lasting customer relationships and brand preference just like advertising and personal selling do.

Characteristics of sales promotion are as follows:

The primary purpose of sales promotion is to induce customers for immediate buying or dealer effectiveness or both.

i. Excessive use of sale promotion may affect sales and reputation of a company adversely.
ii. It is taken as supplementary to advertising and personal selling efforts.
iii. It involves all the promotional efforts other than advertising, personal selling, and publicity.
iv. It consists of short-term incentives, schemes, or plans offered to buyers, salesmen, and/ or dealers.
v. It involves non-routine selling efforts.

Sales Promotion Examples

- **Free Samples**

Providing free samples of a product that have recently stepped out in the market, is quite an effective way to get the attention of customers towards that product. There are many ways to put this strategy in its real life for the cause of your brand. For example, if a restaurant is planning to introduce a new dessert in its menus, then it can start it up by providing it free of cost with the purchase of a meal.

This strategy works best for the food products. And not just this, if a company has a new beauty product like facial products or perfumes or lotions, upon its sleeves, it can let the people try it for free before they buy the product so that there's less from true satisfaction from the customers. Such kind of sales promotion examples encourages people to buy a particular product that they might have considered before this.

- **Free Gifts**

Generally targeted at getting the attention of customers towards the brand itself, rather than a particular product, the strategy giving out free gifts provide a point of huge potential for the brand to progress. Even though it involves some costs to go with this one but its amazing ability to overwhelm the hesitation of the customers for starting up with a new brand can surely overcome the costs.

- **Price Discounts**

Everyone like discounted prices, no matter, whether these are for that new range of tee-shirts which has revolutionized the whole market or a new piece of software that works to make the lives of its customers as simple, sweet and swift as a piece of cake. That's what makes price discounts to be one of the best companions of any business whether it's new or old, since it can be run for any type of campaign featuring any type of product. Moreover, the environment gets even more fired up when Black Friday approaches, since, in those days, the discount deals get even more amazing.

- **Buy One Get One Free Offer**

Also known by the name of "self-liquidating" promotions, Buy One Get One Free offers are meant to achieve multiple purposes at hand like clearing up the old stock, gaining more sales in a particular period of time, maintaining long-term relationships with customers or keeping the business up and running even during the slow business seasons. In other words, they let the business focus on increasing revenues while setting up different objectives each time and then letting it progress even further by achieving them.

As of sales promotions examples, think of a business that creates bread loafs at the rate of 10 cents each. When it comes to selling, even if sells it for $2 for 2 pieces, it's still getting plenty of what it might get without a promotion during the times when business starts declining. Furthermore, the same concept applies to the services, too like trainers, salons, consultants, spas, fitness studios and much more. For the purpose of gaining more and more customers and strengthening the relationships to a point where no competitor can break it apart, they can set different special promotions like extra classes or training free of cost.

- **Joint Promotions**

Joint promotions are quite an effective way to set your steps in larger markets, since it involves the combination of two companies with the outcome as a new company that works for both of the contributing brands. Therefore, it’s just like both of the companies are merging their strengths and weaknesses to bring up a new product that’s better than both. Sony Ericson, for example, is among the best of sales promotion examples.

Moreover another good point of the strategy is that it can be brought to a different levels, such as how about joining two brands that are working under the same company. The effectiveness of the process can be enhanced tremendously, if the joining companies know about the working strategy of each other closely, because, in this way, they can help each other in improving their way of working and getting rid of the flaws in it or turning them into the strengths, altogether.

4.2.3: Personal Selling:

Personal selling includes face-to-face personal communication and presentation with prospects (potential and actual customers) for the purpose of selling the products. It involves personal conversation and presentation of products with customers. It is considered as a highly effective and costly tool of market promotion.

At certain stages of the buying process, personal selling is the most effective promotion tool in creating customer’s preferences, convictions and actions. In personal selling, personal interactions between two or more people take place that can allow both parties to understand the characteristics and needs of one another and take immediate adjustments.

All types of relationships are also flourishing in **personal selling** like selling relationships of the matter of fact & personal friendship etc. The salespersons have professional expertise by which they focus on the interests of the customers and develop a healthy relationship over it.

Moreover, the customer also gives extra time and attention is listening to the offerings of salespersons even his final decision is no. Personal selling is also faced with extra cost and effort in training salespersons to make them committed to the given tasks.

Personal Selling Process Steps:

Step:1 Prospecting:

It is quite a common observation in our daily life that you can't benefit a person from a product if he doesn't need it. And that' what, this first step towards a winning personal selling deal is based on. In this step, the companies employ different methods to formulate a list with "can-be-a-prospect" basis. This process of looking for potential leads is also known as prospecting. This list is generated by various means like examining data sources e.g. newspapers, or by gathering information from organizations, the internet or even the existing customers.

Prospecting is a way of searching for potential customers whether they are individuals or companies. It is extremely necessary for a brand to stay in the market that it replaces the old customers that do not return to it since the studies show that a typical customer base loses 20% of itself time to time. And there can be any reason behind it e.g. it is very likely that the customer is dead or has transferred somewhere else. Or it might be because he thought your competitor's products to be better than yours. This all explains why a firm should always be trying to grow up its client's list.

Step:2 Qualifying a Prospect

Getting the name just mean that, they can be your customers, but not necessarily. That's why it is important to determine that whether that leads needs your product or not. This can be done by several methods like in some cases, keen observation is all that it takes towards confirming a lead to be your client; while on the other hand, it might also need a lot of hard work in qualifying him as a prospect

Step:3 Pre-approach

Once a lead qualifies as a prospect, then it's time for you to start looking for important information and gathering necessary details. These details can be smaller with quite a weak effect on the deal or bigger which can ruin the whole deal off if proper care is not taken. For example, if you qualify a company as a prospect, then it's important to know that what kind of product that company is looking for, who the main buyer is acting behind the curtains, etc.

After that, call objectives should be set before you approach the company and start persuading with all what you have got. This step of personal selling process manages the timing and strategy of approach. Moreover, it is also better to decide the best way to approach that prospect like why to bother going there, where a letter or a call can do, since it will save a lot of hard work while still sparing you plenty of time for focusing on other prospects.

Step:4 Approach

In this step of personal selling process, the sales person finally gets to move off his table to the prospect's office. Since he is going to be the representative of your brand to that prospect, that's why it is extremely important for him to be aware of proper etiquettes of a gentle talk. He should also know how and when to greet the buyer and how to hold off against unexpected behavior from his side. For the purpose, he should use a positive opening line and that too in a professional way. And more importantly, how can he give the feel of professionalism, if he's dressed badly or is opposite to the buyer's temperament.

During your approach, make sure to focus the customer's advantage all the time instead of your profits. Well! I'm not saying that you should leave it all. But believe me, once he surrenders himself to become a user of your product, it will surely pay off.

Step:5 Sales Presentation and Demonstration

Once the atmosphere relaxes, then it is the best time to deliver your sales presentation in front of the buyer. A success sales presentation requires a well-coordinated visual and audible explanation along with a powerful body language. Even though it is not that easy but whatever you do, just make sure that it goes as the "AIDA formula" which is the short form of several consecutive steps involving gaining attention, holding interest, arousing desire and finally, obtaining the action of the buyer. It works just like as you heat the iron and then hammer it while it is hot to obtain what you want thus leading your personal selling process to victory.

Steps proposed by the AIDA model

The steps proposed by the AIDA model are as follows:

- **Attention** – The consumer becomes aware of a category, product or brand (usually through advertising)

↓

- **Interest** – The consumer becomes interested by learning about brand benefits & how the brand fits with lifestyle

↓

- **Desire** – The consumer develops a favorable disposition towards the brand

↓

- **Action** – The consumer forms a purchase intention, shops around, engages in trial or makes a purchase

Some of the contemporary variants of the model replace *attention* with *awareness*. The common thread among all hierarchical models is that advertising operates as a stimulus (S) and the purchase decision is a response (R). In other words, the AIDA model is an applied stimulus-response model. A number of hierarchical models can be found in the literature including Lavidge's hierarchy of effects, DAGMAR and variants of AIDA. Hierarchical models have dominated advertising theory, and, of these models, the AIDA model is one of the most widely applied.

As consumers move through the hierarchy of effects they pass through both a cognitive processing stage and an affective processing stage before any action occurs. Thus the hierarchy of effects models all include Cognition (C)- Affect (A)- Behaviour (B) as the core steps in the underlying behavioral sequence. Some texts refer to this sequence as Learning → Feeling → Doing or C-A-B (cognitive - affective-behavioral) models.

Cognition (Awareness/learning) → Affect (Feeling/ interest/ desire) → Behavior (Action e.g. purchase/ trial/ consumption/ usage/ sharing information)

The purchase funnel illustrates the relative number of prospective purchasers over time

The basic AIDA model is one of the longest serving hierarchical models, having been in use for more than a century. Using a hierarchical system, such as AIDA, provides the marketer with a detailed understanding of how target audiences change over time, and provides insights as to which types of advertising messages are likely to be more effective at different junctures. Moving from step to step, the total number of prospects diminishes. This phenomenon is sometimes described as a "purchase funnel". A relatively large number of potential purchasers become aware of a product or brand, then a smaller subset becomes interested, with only a relatively small proportion moving through to the actual purchase. This effect is also known as a "customer funnel", "marketing funnel", or "sales funnel".

The model is also used extensively in selling and advertising. According to the original model, "the steps to be taken by the seller at each stage are as follows:

Stage I. Secure attention.

Stage II. Hold attention Through Interest.

Stage III. Arouse Desire.

Stage IV. Create Confidence and Belief.

Stage V. Secure Decision and Action.

Stage VI. Create Satisfaction."

4.2.4: Public Relations:

Public relations are much different from the ads and they are more influential than these ads. Public relations consist of news stories, events and features that are considered as more real and therefore the readers also consider them more believe able.

Many prospects avoid advertisements and personal selling, but they can also be influenced by public relations. The real message in public relations is considered to be “news” by the customers rather than as a sales centered communication.

The product of an organization is also dramatized by public relations. Public relations should not be used too much or it should be used as an afterthought. It is combined with the elements of the other promotional mix to use it in an effective and economical way.

4.2.5: Direct Marketing

Direct marketing may take the following forms.

- Telemarketing
- Electronic Marketing
- Online Marketing
- Direct Mail

There are four distinct characteristics that are shared in all of the above forms. The first characteristic is that direct marketing, which is non-public in nature. It means that a specific person is addressed in this form of promotion tool rather than focusing on the general public.

Furthermore, direct marketing is customized and immediate, which means that the messages can be fitted to the specific requirements of the customers and they are developing very quickly. At last, direct marketing is interactive which means that customers and Marketing may show a dialogue with each other.

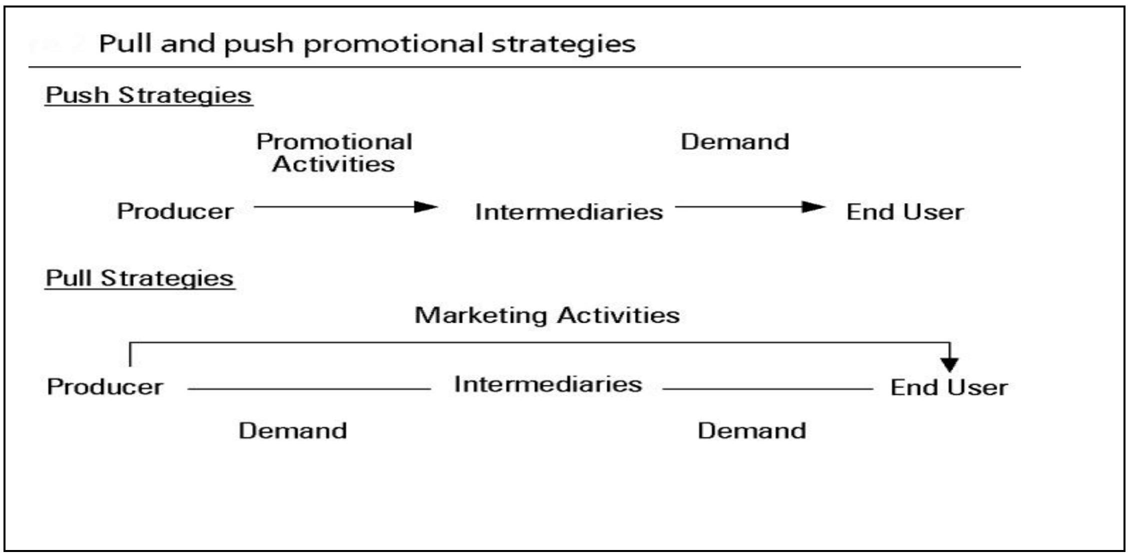
The message in direct marketing can be changed according to the response of the customer. In short direct marketing, promotional tools are used as the most effective one in the case of developing one to one customer relationships and in the situation of highly targeted marketing efforts.

4.3 PROMOTIONAL STRATEGY:

Promotion is an attempt by marketers to inform, persuade, or remind consumers and B2B users to influence their opinion or elicit a response. Most firms use some form of promotion. Because company goals vary widely, so do promotional strategies. The goal is to stimulate action from the people or organizations of a target market. In a profit-oriented firm, the desired action is for the consumer to buy the promoted item. Mrs. Smith's, for instance, wants people to buy more frozen pies. Not-for-profit organizations seek a variety of actions with their promotions. They tell us not to litter, to buckle up, to join the military, or to attend the ballet. (These are examples of products that are ideas marketed to specific target markets.)

Promotional goals include creating awareness, getting people to try products, providing information, retaining loyal customers, increasing the use of products, and identifying potential customers, as well as teaching potential service clients what is needed to “co-create” the services provided. Any promotional campaign may seek to achieve one or more of these goals:

A **push** promotional **strategy** involves taking the product directly to the customer via whatever means, ensuring the customer is aware of your brand at the point of purchase. A **pull strategy** involves motivating customers to seek out your brand in an active process.



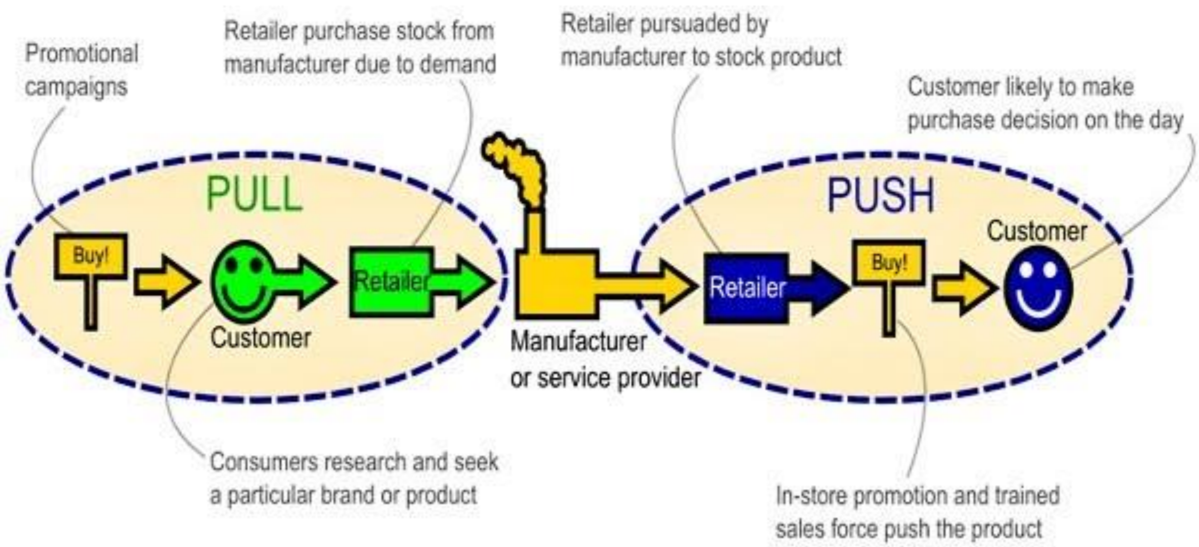
PUSH STRATEGY

- The term 'push strategy' describes the work a manufacturer of a product needs to perform to get the product to the customer.
- This may involve setting up distribution channels and persuading middle men and retailers to stock your product.
- The push technique can work particularly well for lower value items such as fast moving consumer goods (FMCGs), when customers are standing at the shelf ready to drop an item into their baskets and are ready to make their decision on the spot.

- This term now broadly encompasses most direct promotional techniques such as encouraging retailers to stock your product, designing point of sale materials or even selling face to face.
- New businesses often adopt a push strategy for their products in order to generate exposure and a retail channel. Once your brand has been established, this can be integrated with a pull strategy.

PULL STRATEGY

- 'Pull strategy' refers to the customer actively seeking out your product and retailers placing orders for stock due to direct consumer demand.
- A pull strategy requires a highly visible brand which can be developed through mass media advertising or similar tactics. If customers want a product, the retailers will stock it - supply and demand in its purest form, and this is the basis of a pull strategy. Create the demand, and the supply channels will almost look after themselves.



- A successful strategy will usually have elements of both the push and pull promotional methods. If you are starting a new business and intend to sell a product through retailers, you'll almost certainly need to persuade outlets to purchase and stock your product.
- You'll also need to raise brand awareness and start building valuable word of mouth referrals. If you have designed a product around the customer and have considered all elements of the marketing mix, both of these aspects should be achievable.

4.4 DISTRIBUTION SYSTEM

Distribution (or **place**) is one of the four elements of the marketing mix. Distribution is the process of making a product or service available for the consumer or business user who needs it. This can be done directly by the producer or service provider, or using indirect channels with distributors or intermediaries. The other three elements of the marketing mix are product, pricing, and promotion.

Decisions about distribution need to be taken in line with a company's overall strategic vision and mission. Developing a coherent distribution plan is a central component of strategic planning. At the strategic level, there are three broad approaches to distribution, namely mass, selective and exclusive distribution. The number and type of intermediaries selected largely depends on the strategic approach. The overall distribution channel should add value to the consumer.

4.4.1 Definition:

Distribution is fundamentally concerned with ensuring that products reach target customers in the most direct and cost efficient manner. In the case of services, distribution is principally concerned with access. Although distribution, as a concept, is relatively simple, in practice distribution management may involve a diverse range of activities and disciplines including: detailed logistics, transportation, warehousing, storage, inventory management as well as channel management including selection of channel members and rewarding distributors.

4.4.2 Distribution Strategy:

Prior to designing a distribution system, the planner needs to determine what the distribution channel is to achieve in broad terms. The overall approach to distributing products or services depends on a number of factors including the type of product, especially perishability; the market served; the geographic scope of operations and the firm's overall mission and vision. The process of setting out a broad statement of the aims and objectives of a distribution channel is a strategic level decision. In an intensive distribution approach, the marketer relies on chain stores to reach broad markets in a cost efficient manner. Strategically, there are three approaches to distribution:

- **Mass distribution** (also known as *intensive distribution*): When products are destined for a mass market, the marketer will seek out intermediaries that appeal to a broad market base. For example, snack foods and drinks are sold via a wide variety of outlets including supermarkets, convenience stores, vending machines, cafeterias and others. The choice of distribution outlet is skewed towards those than can deliver mass markets in a cost efficient manner.
- **Selective distribution***:* A manufacturer may choose to restrict the number of outlets handling a product. For example, a manufacturer of premium electrical goods may choose to deal with department stores and independent outlets that can provide added value service level required to support the product. Dr Scholl orthopedic sandals, for example, only sell their product through pharmacies because this type of intermediary supports the desired *therapeutic* positioning of the product. Some of the prestige brands of cosmetics and skincare, such as Estee Lauder, Jurlique and Clinique, insist that sales staff are trained to use the product range. The manufacturer will only allow trained clinicians to sell their products.
- **Exclusive distribution***:* In an exclusive distribution approach, a manufacturer chooses to deal with one intermediary or one type of intermediary. The advantage of an exclusive approach is that the manufacturer retains greater control over the distribution process. In exclusive arrangements, the distributor is expected to work closely with the manufacturer and add value to the product through service level, after sales care or client support services. Another definition of exclusive arrangement is an agreement between a supplier and a retailer granting the retailer exclusive rights within a specific geographic area to carry the supplier's product.

Types of Channels

Normally goods and services pass through several hands before they come to the hands of the consumer for use. But in some cases producers sell goods and services directly to the consumers without involving any middlemen in between them, which can be called as direct channel. So there are two types of channels, one direct channel and the other, indirect channel. From the above diagram it can be found that there is just one direct channel i.e. from producer to the consumer. There are many indirect channels like:

4.5 Wholesaler and Retailer

Distribution of products takes place by means of a marketing channel, also known as a distribution channel. A marketing channel is the people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption. It is the way products get to the end-user, the consumer. This is mostly accomplished through merchant retailers or wholesalers or, in the international context, by importers. In certain specialist markets, agents or brokers may become involved in the marketing channel.

Typical intermediaries involved in distribution include:

Wholesaler: A merchant intermediary who sells chiefly to retailers, other merchants, or industrial, institutional, and commercial users mainly for resale or business use. The transactions are B2B (Business to Business). Wholesalers typically sell in large quantities. (Wholesalers, by definition, do not deal directly with the public).

Retailer: A merchant intermediary who sells direct to the public. There are many different types of retail outlet - from hypermarts and supermarkets to small, independent stores. The transactions in this case are B2C (Business to Customer).

Agent: An intermediary who is authorized to act for a principal in order to facilitate exchange. Unlike merchant wholesalers and retailers, agents do not take title to goods, but simply put buyers and sellers together. Agents are typically paid via commissions by the principal. For example, travel agents are paid a commission of around 15% for each booking made with an airline or hotel operator.

Jobber: A special type of wholesaler, typically one who operates on a small scale and sells only to retailers or institutions. For example, rack jobbers are small independent wholesalers who operate from a truck, supplying convenience stores with snack foods and drinks on a regular basis.

4.5.1 Wholesalers and Retailers

Wholesalers and retailers are important middlemen who generally facilitate flow of goods from the producers to the consumers.

4.5.1.1 Wholesalers

Wholesalers are one of the important middlemen in the channel of distribution who deals with the goods in bulk quantity. They buy goods in bulk from the producers and sell them in relatively smaller quantities to the retailers. In some cases they also sell goods directly to the consumers if the quantity to be purchased is more. They usually deal with a limited variety of items and also in a specific line of product, like iron and steel, textiles, paper, electrical appliances, etc.

4.5.1.1.2 Characteristics of Wholesalers

The followings are the characteristics of wholesaler:

(i) Wholesalers buy goods directly from producers or manufacturers.

(ii) Wholesalers buy goods in large quantities and sells in relatively smaller quantities.

(iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals with paper is expected to keep all varieties of paper, cardboard, card, etc.

(iv) They may employ a number of agents or workers for distribution of products.

(v) Wholesalers need large amount of capital to be invested in his business.

(vi) They generally provides credit facility to retailers.

(vii) He also provides financial assistance to the producers or manufacturers. Channels of Distribution 73

(viii) In a city or town they are normally seen to be located in one particular area of the market.

4.5.1.1.3 Functions of Wholesalers

You have well understood the meaning of wholesaler and listed their characteristics. Now let us know about the functions of wholesalers.

Following are the functions, which a wholesaler usually performs.

i) Collection of goods: A wholesaler collects goods from manufacturers or producers in large quantities.

ii) Storage of goods: A wholesaler collects the goods and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage.

iii) Distribution: A wholesaler sells goods to different retailers. In this way, he also performs the function of distribution.

iv) Financing: The wholesaler provides financial support to producers and manufacturers by sending money in advance to them. He also sells goods to the retailer on credit. Thus, at both ends the wholesaler acts as a financier.

v) Risk taking: The wholesaler buys finished goods from the producer and keeps them in the warehouses till they are sold. Therefore, he assumes the risks arising out of changes in demand, rise in price, spoilage or destruction of goods.

4.5.1.2 Retailers

Retailers are the traders who buy goods from wholesalers or sometimes directly from producers and sell them to the consumers. They usually operate through a retail shop and sell goods in small quantities. They keep a variety of items of daily use.

4.5.1.2.1 **Characteristics of Retailers:**

(i) Retailers have a direct contact with consumers. They know the requirements of the consumers and keep goods accordingly in their shops.

(ii) Retailers sell goods not for resale, but for ultimate use by consumers. For example, you buy fruits, clothes, pen, pencil etc. for your use, not for sale.

(iii) Retailers buy and sell goods in small quantities. So customers can fulfil their requirement without storing much for the future.

(iv) Retailers require less capital to start and run the business as compared to wholesalers.

(v) Retailers generally deal with different varieties of products and they give a wide choice to the consumers to buy the goods.

4.5.1.2.2 **Functions of Retailers**

All retailers deal with the customers of varying tastes and temperaments. Therefore, they should be active and efficient in order to satisfy their customers and also to induce them to buy more. Let us see what the retailers do in distribution of goods.

(i) Buying and Assembling of goods: Retailers buy and assemble varieties of goods from different wholesalers and manufacturers. They keep goods of those brands and variety which are liked by the customers and the quantity in which these are in demand.

(ii) Storage of goods: To ensure ready supply of goods to the customer retailers keep their goods in stores. Goods can be taken out of these store and sold to the customers as and when required. This saves consumers from botheration of buying goods in bulk and storing them.

(iii)) Credit facility: Although retailers mostly sell goods for cash, they also supply goods on credit to their regular customers. Credit facility is also provided to those customers who buy goods in large quantity.

(iv) Personal services: Retailers render personal services to the customers by providing expert advice regarding quality, features and usefulness of the items. They give suggestions considering the likes and dislikes of the customers. They also provide free home delivery service to customers. Thus, they create place utility by making the goods available when they are demanded.

(v) Risk bearing: The retailer has to bear many risks, such as risk of: (a) fire or theft of goods (b) deterioration in the quality of goods as long as they are not sold out. (c) change in fashion and taste of consumers. Channels of Distribution 75

(vi) Display of goods: Retailers display different types of goods in a very systematic and attractive manner. It helps to attract the attention of the customers and also facilitates quick delivery of goods.

(vii) Supply of information: Retailers provide all information about the behaviour, tastes, fashions and demands of the customers to the producers through wholesalers. They become a very useful source of information for marketing research.

Unit-05

Contemporary Topics in Marketing

5.1 Marketing of Services

5.2 Rural Marketing

5.3 International Marketing

5.4 Digital Marketing

5.4.1 Marketing through Social Channels

5.4.2 Marketing

5.5 Green Marketing

5.1 Marketing Scenario:-

Today we live in a service economy. Just as there was a shift from the farm to the factory, the shift has now been from manufacturing to service. If an industrial society is defined by the quantity of goods as making a standard of living, the past industrial society is defined by the services and amenities- health, education, recreation, arts and entertainments- which are deemed desirable and possible for everyone for all- round self development.

5.1.1:- Meaning of Services:-

The American Marketing Association defines Services as “activities, benefits on satisfactions which are offered for sale on provide with sale of goods to the customer. i.e. pre-sale and after sale service”.

According to Peters and Watersmen “Services are those separately identifiable, essentially intangible activities which provide want- satisfaction and are not necessarily tied to the sale of a product and another service”.

Service attached to a customer for a product he owns is called ‘Customer Service’ and service to the same customer by doctor is “health Service”.

It is easier to define the service to define the service through the provider, which are either products or persons. Pure services are those rendered by a person to another person with no relation to a tangible product. A major Service is one rendered through tangible like telephone or hotels. A major goods will have a service. Pure tangible goods have no service attached to it. It is however, nearly impossible to find a pure tangible gods with no service attached to it. Particularly in the age of consumer oriented marketing.

5.1.2:- Definition of Service Marketing:

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

In most countries, services add more economic value than agriculture, raw materials and manufacturing combined. In developed economies, employment is dominated by service jobs and most new job growth comes from services.

Jobs range from high-paid professionals and technicians to minimum-wage positions. Service organizations can be of any size from huge global corporations to local small businesses. Most activities by the government agencies and non-profit organizations involves services.

The American Marketing Association, defines services as activities, benefits, or satisfactions that are offered for sale or provided with sale of goods to the customer, that is, pre-sale and after-sales services. Berry states, ‘while a product is an object, devise or physical thing, a service is a deed, performance, or an effort’.

5.1.3:- Features of Services:

- **Intangibility:**

A physical product is visible and concrete. Services are intangible. The service cannot be touched or viewed, so it is difficult for clients to tell in advance what they will be getting. For example, banks promote the sale of credit cards by emphasizing the conveniences and advantages derived from possessing a credit card.

- **Inseparability:**

Personal services cannot be separated from the individual. Services are created and consumed simultaneously. The service is being produced at the same time that the client is receiving it; for example, during an online search or a legal consultation. Dentist, musicians, dancers, etc. create and offer services at the same time.

- **Heterogeneity (or variability):**

Services involve people, and people are all different. There is a strong possibility that the same enquiry would be answered slightly differently by different people (or even by the same person at different times). It is important to minimize the differences in performance (through training, standard setting and quality assurance). The quality of services offered by firms can never be standardized.

- **Perishability:**

Services have a high degree of perishability. Unused capacity cannot be stored for future use. If services are not used today, it is lost forever. For example, spare seats in an aeroplane cannot be transferred to the next flight. Similarly, empty rooms in five-star hotels and credits not utilized are examples of services leading to economic losses. As services are activities performed for simultaneous consumption, they perish unless consumed.

- **Changing demand:**

The demand for services has wide fluctuations and may be seasonal. Demand for tourism is seasonal, other services such as demand for public transport, cricket field and golf courses have fluctuations in demand.

- **Pricing of services:**

Quality of services cannot be standardized. The pricing of services are usually determined on the basis of demand and competition. For example, room rents in tourist spots fluctuate as per demand and season and many of the service providers give off-season discounts.

- **Direct channel:**

Usually, services are directly provided to the customer. The customer goes directly to the service provider to get services such as bank, hotel, doctor, and so on. A wider market is reached through franchising such as McDonald’s and Monginis.

5.1.4:- Problems in Marketing Services:

- A service cannot be demonstrated.
- Sale, production and consumption of services takes place simultaneously.
- A service cannot be stored. It cannot be produced in anticipation of demand.
- Services cannot be protected through patents.

- Services cannot be separated from the service provider.
- Services are not standardized and are inconsistent.
- Service providers appointing franchisees may face problems of quality of services.
- The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization.

5.1.5:- 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:

Scope of services

- 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.
- Service as core product: The commercial outputs of a service organization such as a bank account, an insurance policy or a holiday.
- 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.
- 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.
- 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, up market 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 décor and menu choice.

5.1.6:- Marketing Concept in Service marketing:

Till recently many organization selling products and services were product and sales oriented. The focus was internal 'let us produce what we think the market wants and the sales department will manage to sell the output'. However, since 1960, service organizations, particularly banking, transport and insurance companies are developing the marketing organization which is both internally and externally orientated. Under the marketing concept, a marketer adopts consumer- oriented attitude, viz., the creation of customer (or client) satisfaction through the provision of goods and services carefully developed in response to the customer need and wants. Profit is now regarded as a reward for creating a satisfied customer. A business that applies the marketing concept or consumer-orientated marketing approach, centers all plans, policies, programmes and operation on consumer needs. Market segmentation and market demand identification receive a great emphasis. Management knows that its primary function is marketing rather than production.

5.1.7:- Growth of Service Market:

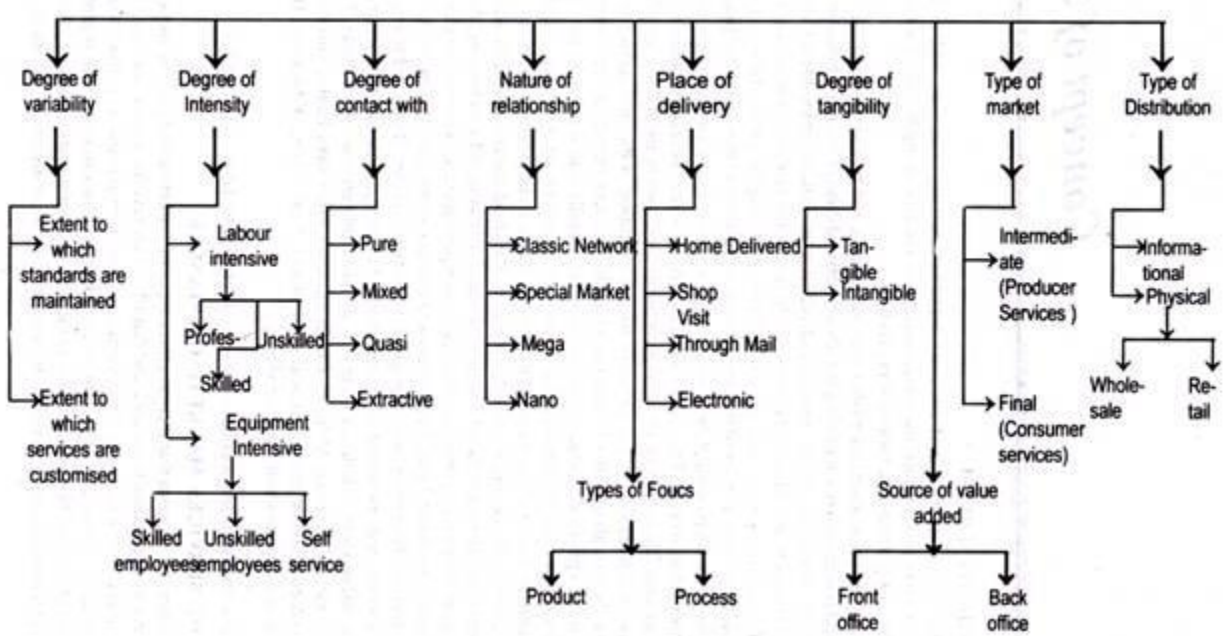
Marketing is the function by which a marketer plans, promotes and delivers goods and services for customers and clients. In the context of marketing of services, it can be said that marketing is the creation and delivery of customer- satisfying services at a profit to the supplier or provider of service. When marketing is defined as the creation and delivery of standards of living to the society, the role of customer- satisfying services assumes unique importance in the customer-oriented marketing approach. In the sale of services to customers, what is important is that customers to be satisfied, that their needs and wants be fulfilled by the providers of services.

Numerous types of services are marketed to customers. Some of the most notable are food (hotel and restaurants), personal care (beauty parlours, laundries), automotive, entertainment, lodging, transport, insurance, finance, communication, advertising and promotion, engineering, consultancy, office services, tourist and travel and many other professional services. The service market consists of providers of personal and professional services as well as providers of industrial services.

5.1.8:- Classification of the services:

The classification of services based on various criteria is shown in Figure

FIGURE 1.1 : CLASSIFICATION OF SERVICES



The services marketing triangle:

Figure 1.2: SERVICES MARKETING TRIANGLE

The above figure suggests that there are three types of marketing that must be successfully carried out for a service organization to succeed, and that all of them revolve around making and keeping promises to customers. On the right side of the triangle are the external marketing efforts that the firm engages in to set up its customers' expectations and make promises to customers regarding what is to be delivered. Anything that communicates to the customer before service delivery can be viewed as part of this external marketing function.

In service firms there are many factors that communicate to customers beyond the traditional elements of advertising, special promotions, sales, and public relations, for example, the firm's personnel and the physical facilities themselves. On the bottom of the triangle is what has been termed interactive marketing, or what some refer to as real-time marketing. Here the actual service delivery takes place-the firm's employees interact directly with customers.

It is at this point that the promise is delivered (or not delivered). Having a positive link between what is promised through external marketing and what is delivered through interactive marketing is critical. All the external marketing in the world is useless if promises cannot be kept. The left side of the triangle suggests the critical role played by internal marketing, which enables employees to keep the promises that have been made to customers.

Internal marketing refers to the activities the firm must carry out to train, motivate, and reward its employees. Unless service employees are able and willing to deliver on the promises made, the firm will not be successful in keeping its promises and the services marketing triangle will collapse. Internal marketing hinges on the assumption that employee satisfaction and customer satisfaction are inextricably linked.

5.1.9:- Service management:

Service management draws insights from business practice and from marketing, operations, human resources, service quality management, organizational theory and economics.

Its five key facets are:

An overall perspective that guides decisions in all areas of management,

Customer focus,

A holistic approach to cross-functional collaboration,

An emphasis on quality and

Internal development personnel. Service management is:

To understand the utility customers receive by consuming or using the offerings of the organization and how services alone or together with physical goods or other kinds of tangibles contribute to this utility, that is, to understand how total quality is perceived in customer relationships, and how it changes over time;

To understand how the organization (personnel, technology and physical resources, systems and customers) will be able to produce and deliver this utility or quality;

To understand how the organization should be developed and managed so that the intended utility or quality is achieved; and

To make the organization function so that this utility or quality is achieved and the objectives of the parties involved (the organization, the customers, other parties, the society, etc.) are met.

Service management is a total organizational approach that makes quality of service, as perceived by the customer, the number one driving force for the operations of the business.

It is an overall management perspective which should guide decisions in all areas of management (not only provide management principles for a separate function such as customer service);

It is customer-driven or market-driven (not driven by internal efficiency criteria);

It is a holistic perspective which emphasizes the importance of intra-organizational, cross- functional collaboration (not specialization and the division of labour);

Managing quality is an integral part of service management (not a separate issue); and

Internal development of the personnel and reinforcement of its commitment to company goals and strategies are strategic prerequisites for success (not only administrative tasks).

5.1.10:- The overall management perspective:

Service management as an overall management perspective gives high priority to the external efficiency of the firm, how customers perceive the quality of the core products and the total performance of a firm, instead of overemphasizing internal efficiency, economies of scale and cost reduction. This combines the overall management perspective of service management with its customer-driven and quality-oriented facets, employee-oriented concerns and its long-term perspective.

As the discussion of service management and its five key facets above demonstrates, service management is not a well-defined area or a single theory of management. Rather it is a management perspective that fits today's competitive situation.

Cost reductions and core product quality are still important to success, but to achieve customers' satisfaction and a competitive advantage through differentiation of the market offer, more value has to be added to the core product. This is done through a variety of services and by turning activities such as deliveries, technical service, claims handling, telephone exchange, invoicing, etc. into customer-oriented, value-adding services.

The eight components of integrated service management are:

Product elements.

Place and time.

Process.

Productivity and quality.

People.

Promotion and education.

Physical evidence.

Price and other costs of service.

Myths about services:

A myth is a popular belief, usually oversimplified, that tends to explain only part of the phenomena. The following are commonly held myths about services. While there is some truth in each of the myths, the ideas are generally overly simplistic and logically flawed.

Myth 1: A Services Economy Produces Services at the Expense of Other Sectors:

There are those who fear that because services continue to grow at an accelerated pace, eventually advanced economy will produce only services, and there will be no manufactured goods output at all. A related belief is that because service production is growing, other sectors cannot grow simultaneously. These fears are largely unfounded. First, in an absolute sense, both manufacturing and services have grown.

There are more workers in the manufacturing sector now than there were twenty years ago, and total industrial production has grown as well. Second, much of the employment in the service sector is linked directly to manufacturing; there has been an increasing need for services in support functions (that is, to hire someone outside the firm to provide services that used to be provided by company employees) will result in continued growth of services in support of manufacturing, but not at the expense of manufacturing.

Myth 2: Service Jobs Are Low Paying and Menial:

Many people believe that service employees are primarily small retailers, fast-food employees, hairdressers, store clerks, and low-skilled workers. There is some truth to this perception in that many small businesses are services and when people are laid off in low-skilled manufacturing jobs they typically see their employment alternatives as limited to low-paying, low-skilled service jobs.

However, easily half of all service workers are in highly skilled, white-collar occupations such as law, accounting, education, banking, and medicine. And much of the growth in service jobs has come in the more highly skilled sectors. People in these professional service jobs are not at the low- pay end of the wage scale.

Myth 3: Service Production is Labor Intensive and Low in Productivity:

Common images of the service economy suggest businesses where investments in labour far outweigh capital investments and where productivity is sluggish, creating a drag on the entire economy. Such images are certainly not very positive. While some service industries are labour intensive (e.g. many personal services, restaurants, professional services), as many or more are high in capital intensity.

One simply has to think of examples of highly capital intensive service industries – airlines, telecommunications, and utilities – to known that the labour intensity myth is not generally true. Gains in productivity generally show up as lower costs (for the same value/quality) or higher value/ quality to the customer (for the same costs). The problem for many services is in determining how to measure value or quality.

Attitudes towards services and the service sector:

There is a need for a change in attitude towards services and the service sector of the economy; services are still not regarded as valid forms of wealth; that services are treated still as 'unproductive.' This narrow view of the unimportance of service is reflected in a number of ways.

Some examples are:

(a) The manufacturing sector is accorded higher status than the service sector: 'It is probably a consequence of services' lower status than the quantity and quality of data on the sector is poor-which itself has discouraged research.

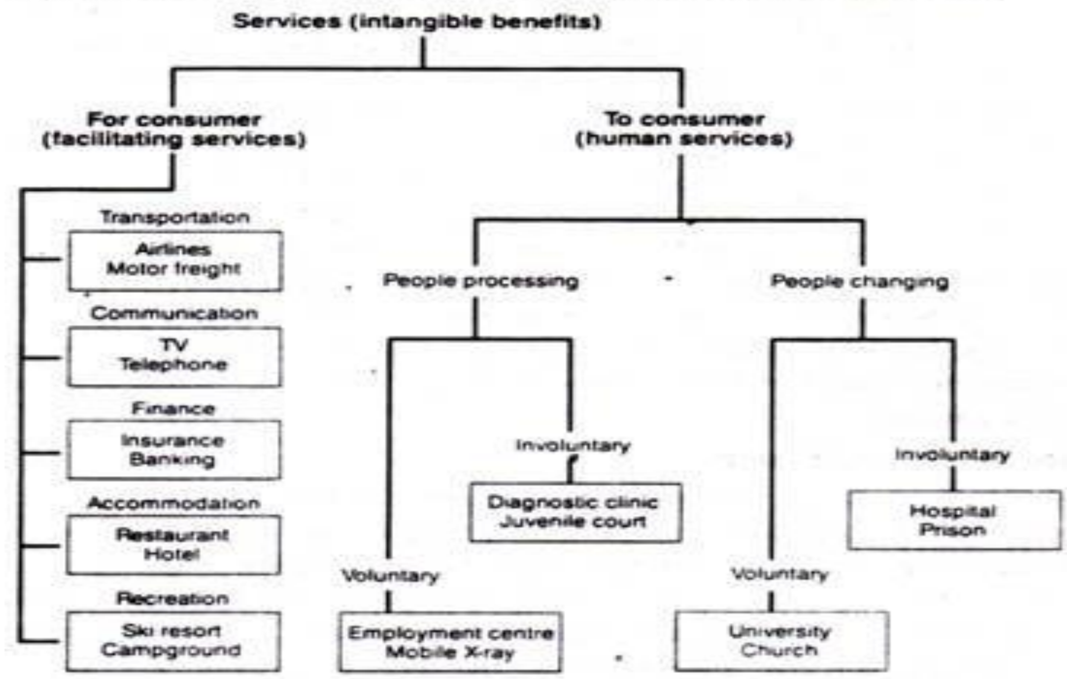
(b) The basic measurement problems' of defining the quantity and quality of services remain unresolved. More attention needs to be devoted to the measurement of productivity in the service sector. As recent work has identified, this remains a fundamental and difficult problem and hampers any attempted objective discussion of the service economy.

(c) Emphasis upon manufacturing only, at the expense of services – and particularly through cut backs in public service – perpetuates the myth of services as invalid forms of wealth. In a modern advanced economy there are close links between manufacturing and services. Modern economic theory has come to the conclusion that there is no point in the distinction between productive and unproductive activities.

If the product of an activity is wanted by the individuals who are consuming it, then that activity must be productive. This criterion applies both to products that are bought and sold (either physical goods or services) and to products that are allocated through the State (again, either physical goods or services).

Many service organizations are complacent about the level and the quality of service that they give.

Figure 1.4 : CONSUMER PERSPECTIVES OF SERVICE



5.1.11:- Challenges and Questions for Service Marketers:

Because of basic differences between goods and services, marketers of services face some very real and distinctive challenges. The challenges revolve around understanding customer needs and expectations for service, tangibilizing the service offering, dealing with a myriad of people and delivery issues (Figure 1.4), and keeping promises made to customers. Answers to questions such as the ones listed here still elude managers of services.

- How can service quality be defined and improved when the product is intangible and non- standardized?

- How can new services be designed and tested effectively when the service is essentially an intangible process?
- How can the firm be certain it is communicating a consistent and relevant image when so many elements of the marketing mix communicate to customers, and some of these elements are the service providers themselves?
- How does the firm accommodate fluctuating demand when capacity is fixed and the service itself is perishable?
- How can the firm best motivate and select service employees who, because the service is delivered in real-time, become a critical part of the product itself?
- How should prices be set when it is difficult to determine actual costs of production and price may be inextricably intertwined with perceptions of quality?
- How should the firm be organized so that good strategic and tactical decisions are made when a decision in any of the functional areas of marketing, operations, and human resources may have significant impact on the other two areas?
- How can the balance between standardization and personalization be determined to maximize both the efficiency of the organization and the satisfaction of its customers?
- How can the organization protect new service concepts from competitors when service processes cannot be legally patented?
- How does the firm communicate quality and value to consumers when the offering is intangible and cannot be legally patented?
- How can the organization ensure the delivery of consistent quality service when both the organization's employees and the customers themselves can affect the service outcome?

5.1.12:- The future of the services sector:

There are the likely trends in the service sector for the different kinds of services.

Old Services:

Demand will continue to fall (e.g. public transport, laundries). However because these services have a fairly small share in service consumption and output they will have little influence upon services as a whole.

New Services:

Demand will be fairly close to the trend of output and income in the overall economy (e.g. health, education, tourism). Private consumer demand for leisure and recreation-related services may tend to increase faster than personal income if the economy is growing.

The resources devoted to new services that are publicly provided (e.g. health and education) will be influenced by political decisions. The complexion of the government in office will clearly influence what share of resources will be devoted to public services, although this decision in turn will be influenced by factors like the general health of the economy and general demographic trends (e.g. the increasing numbers of old people).

Complementary Services:

Demand for these will be influenced by the health of the sectors which use them. If the fortunes of the manufacturing sector improve then intermediate services will grow (e.g. computing, finance, research). If on the other hand manufacturing continues to stagnate, then intermediate services will suffer too. Generally they have growth faster than manufacturing in the past but it is unlikely that under stagnant conditions in the 1980s they could continue to enjoy such exceptional growth.

As far as internationally traded services are concerned (e.g. tourism, financial services) their growth is less constrained and could continue to develop but would be particularly influenced by two factors:

(a) Competition

(b) Exchange Rates

5.1.13:- Limitations on growth in service industries:

The overall conclusion from the previous section that services will continue to be important in the economy and that growth is likely in some sub-sectors is reasonable. Even in times of economic decline and stagnation there is evidence to suggest that demand for services is less sensitive to economic fluctuations. But any optimistic forecasts should take account of possible limitations on growth in the service sector. Two forces which could limit their growth are external forces and internal forces.

A. External Forces:

Some constraints on growth include:

1. Customers can perform services themselves. The degree of essentiality of service purchases varies (e.g. people can eat at home instead of eating in restaurants);

2. Manufactured goods will be produced which replace service roles (e.g. TV replaces cinemas, tools replace the service of skilled labour, like carpenters, easy-care fabrics replace cleaning and laundry services);

3. Manufactured goods will be produced which require less service attention (e.g. cars with longer service intervals, equipment with throwaway replaceable parts).

B. Internal Forces:

Some internal constraints on growth include:

1. The small size of the average service firm;

2. The shortage of people with certain special skills (e.g. doctors);

3. The limited competition in some service sub-sectors (e.g. rail transport, local authority services);

4. Little emphasis on research and development in many service fields; the general failure to recognize the importance of marketing in some service businesses.

Services in the modern economy:

As consumers, we use services every day. Turning on a light, watching TV, talking on the telephone, catching a bus, visiting the dentist, posting a letter, getting a haircut, refueling a car, writing a cheque or sending clothes to the cleaners are all examples of service consumption at the individual level.

In addition to educational services, the facilities at today's colleges and universities usually comprise libraries and cafeterias, counselling services, a bookshop and careers offices, copy services, telephones and Internet connections, and maybe even a bank. If you are registered at a residential university, additional services are likely to include halls of residence, health care, indoor and outdoor sports and athletic facilities, a theatre and, perhaps, a post office.

Unfortunately, customers are not always happy with the quality and value of the services they receive. People complain about late deliveries, rude or incompetent personnel, inconvenient service hours, poor performance, needlessly complicated procedures and a host of other problems.

They grumble about the difficulty of finding sales assistants to help them in shops, express frustration about mistakes on their credit card bills or bank statements, shake their heads over the complexity of new self-service equipment, mutter about poor value and sigh as they are forced to wait for service or stand in queues almost everywhere they go.

Suppliers of services often seem to have a very different set of concerns. Many complain about how difficult it is to make a profit, how hard it is to find skilled and motivated employees, or how difficult to please customers have become. Some firms seem to believe that the surest route to financial success lies in cutting costs and eliminating 'unnecessary frills'.

Happily, in almost every field of endeavour there are service suppliers who know how to please their customers while also running a productive, profitable operation, staffed by pleasant and competent employees. The growth of the services economy is shown in Table.

Table 1.2 : THE GROWTH OF THE SERVICES SECTOR IN INDIA

	Period	Agriculture	Industry	Services
		(% share of GDP)		
1	1998 - 1999	26.83	22.01	51.16
2	1997 - 1998	26.44	22.32	51.24
3	1996 - 1997	28.05	22.05	49.91
4	1995 - 1996	27.64	22.27	50.08
5	1994 - 1995	29.68	21.18	49.15
6	1993 - 1994	29.50	24.88	45.62
7	1992 - 1993	30.19	24.47	45.34

Goods Versus Services:

Goods differ from services in numerous ways as summaries in Table

		Physical / psychological needs	
33.	Product design	Environmment plays a vital role	Only physical product
34.	Process design	Immediate effect on consumers	Customer not involved
35.	Scheduling	As per customer interest	Completion dates
36.	Production planning	Smoothing results in losses	Possible
37.	Inventory	Personnel	Raw material
38.	Quality control	Variable standards	Fixed
39.	Quality objective	Zero defection	Zero defect
40.	Worker skill	Interaction	Technical
41.	Time standard	Loose	Tight
42.	Capacity planning	Fluctuation	Average
43.	Wage payment	Time based	Unit based
44.	Type of technology	Generally soft	Generally hard
45.	Delivery	Along with production	Separate from production
E.	***Organisation***		
46.	Structure	Flatter	Taller
47.	Role of higher levels	Supportive	Demanding
48.	Communication	Criss-cross	Mainly vertical
49.	Desired design	Organic	Rational

5.2 Rural Marketing:

The emergence of rural markets as highly untapped potential emphasizes the need to explore them. Marketers over the past few decades, with innovative approaches, have attempted to understand and tap rural markets. Some of their efforts paid off and many markets still an enigma. Rural marketing is an evolving concept, and as a part of any economy, has untapped potential; marketers have realized the opportunity recently. Improvement in infrastructure and reach, promise a bright future for those intending to go rural. Rural consumers are keen on branded goods nowadays, so the market size for products and services seems to have burgeoned.

The rural population has shown a trend of moving to a state of gradual urbanization in terms of exposure, habits, lifestyles, and lastly, consumption patterns of goods and services. So, there are dangers on concentrating more on the rural customers. Reducing the product features in order to lower prices is a dangerous game to play. Rural buyers like to follow the urban pattern of living. Astonishingly, as per the census report 2003-04, there are total 638365 villages in India in which nearly 70% of total population resides; out of them 35 % villages have more than 1000 population.

Rural per capita consumption expenditure grew by 11.5 per cent while the urban expenditure grew by 9.6 per cent. There is a tremendous potential for consumer durables like two-wheelers, small cars, television sets, refrigerators, air-conditioners and household appliances in rural India.

Concept of Rural Marketing:

The concept of Rural Marketing in India Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. The rural market in India generates bigger revenues in the country as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories.

These are:

i. The market for consumer goods that comprise of both durable and non-durable goods

ii. The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on

The concept of rural marketing in India is often been found to forms ambiguity in the mind of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

To be precise, rural marketing in India Economy covers two broad sections, namely:

i. Selling of agricultural products in the urban areas

ii. Selling of manufactured products in the rural regions

The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioural factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.

Conceptually, rural marketing is not significantly different to urban marketing. Marketing manager has to perform the same tasks, but differently in rural marketing. It can be said that marketing is not different, but markets (buyers and users).

In rural marketing, a firm has to undergo marketing efforts to satisfy rural segments, which notably differ from urban segments in some aspects. At the same time, we must note that increasing literacy rate, improved sources of income, awareness due to improved and increased means of communication and transportation, high rate of mobility within and between countries due to liberalization and globalization, and many other such reasons, some customers are likely to be identical.

Even, a few rural customers seem cosmopolitan! So, one can find customers of different behaviour patterns within a village or a town. In the same way, most of products are commonly used in both urban and rural areas. In some aspects, both rural and urban customers behave in homogeneous pattern. Some Indian customers have become global and cosmopolitan!

Definitions:

'Rural marketing' is similar to simply 'marketing.' Rural marketing differs only in terms of buyers. Here, target market consists of customers living in rural areas. Thus, rural marketing is an application of marketing fundamentals (concepts, principles, processes, theories, etc.) to rural markets.

1. Let us define the term in simple way as: Rural marketing concerns with planning and implementing marketing programmes (often referred as marketing strategies or simply 4P's) for rural markets to achieve marketing goals.

2. In more specific words: Rural marketing is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

3. Marketing efforts remain same, only important aspect is type of buyers. So, the term can be defined as: When marketing activities are undertaken for rural segments, it is turned as rural marketing and the management is called rural marketing management.

4. Since marketing manager has to carry out similar tasks. So, definition of marketing stated by American Marketing Association can be equally applicable in relation to rural

segments. We will add only specific word ‘rural’ to define the term: Rural marketing is a process of planning, and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchange (for rural segments) that satisfy individual and organizational objectives.

(Only the word ‘rural’ has been added to the definition adopted by the AMA. The word implies that marketing activities are undertaken in rural areas to satisfy rural segments.)

5. More specifically, it can be said: Rural Marketing means to produce products (goods and services) for the rural customers and to make necessary arrangement to supply them.

6. At last, we can say: Rural marketing is the marketing for the customers residing in rural areas. It involves designing marketing programme (4P’s) to arrive at desired exchange with the rural customers that satisfies their needs and wants.

The Profile of Rural Demand:

Modern cultivation practices have increased the yield of crops. Favorable trade- terms for agricultural produce have led to rising agricultural income. Income tax exemption makes a family with moderate income wealthy in relation to its urban counterpart. Low cost-of-living in rural areas creates a higher disposable income with rural consumer.

- **Rural Markets:- Classification of Goods and Services.**

  Depending upon the tangibility and durability, the market for products and services could be broadly classified in to six categories.

  - ***Markets for consumer goods:***
    a. ***Consumer food items:*** Cooking oils, tea, coffee, health drinks, biscuits, chocolates.
    b. ***Consumer non- food items:*** Toilet articles, dress materials.
    c. ***Consumer durables:*** Fans, electric irons and sewing machines.
    d. ***High value consumer durables:*** TV, DVD Player and refrigerators.
  - ***Markets for Agricultural Inputs and Machinery:***
    a. ***Seeds:*** High- yielding and hybrid seeds of paddy, cotton, vegitables etc.

  b. ***Fertilizers:*** Inorganic fertilizer and Organic fertilizer
  c. ***Pesticides:*** Chemical pesticides and botanical pesticides.
  d. ***Agricultural Machinery:*** Tractor, motors, oil engines
- ***Market for Services.***
  a. ***Insurance***
  b. ***Banking***
  c. ***Health***
- ***Market for Agricultural Products like Grains, Pulses, Vegetables, Fruits etc.***
- ***Market for construction materials for farms and village- level industries.***
- ***Transportation equipments.***

➢ **Rural Versus Urban Demand.**

Considering the unique nature of rural markets, there is a need to understand the salient features of rural demand.

➢ **Size of Rural Demand.**

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies. India’s per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US$ 20 billion mark by 2018 and reach US$ 100 billion by 2025.