MP-106

Vardhaman Mahaveer Open University, Kota

Marketing Management

Course Development Committee

Chairman

Prof. (Dr.) Naresh Dadhich
Vice-Chancellor
Vardhaman Mahaveer Open University, Kota

Convener and Members

Subject Convener and Co-ordinator

Prof. P.K. Sharma
Professor of Management
Vardhaman Mahaveer Open University, Kota

1. **Prof. P.N. Mishra**
   Professor,
   Institute of Management Studies,
   Devi Ahilya University, Indore
2. **Prof. Kalpana Mathur**
   Professor,
   Deptt. of Management Studies,
   J.N.V. University, Jodhpur
3. **Prof. Nimit Chaudhary**
   Professor,
   Indian Institute of Tourism & Travel
   Management, Gwalior
4. **Prof. Kamal Yadav**
   Professor,
   School of Management Studies,
   IGNOU, New Delhi
5. **Prof. Gitika Kapoor**
   Professor,
   R.A. Podar Institute of Management,
   University of Rajasthan, Jaipur
6. **Prof. R.K. Jain**
   Professor (Retd.),
   JLN Institute of Business Management,
   Vikram University, Ujjain
7. **Prof. Ipshita Bansal**
   Professor, WISDOM,
   Banasthali Vidhyapeeth, Banasthali
8. **Prof. Karunesh Saxsena**
   Professor,
   Faculty of Management Studies,
   Mohan Lal Sukhadia Univeristy, Udaipur
9. **Dr. Mahesh Chand Garg**
   Associate Professor,
   Haryana Business School,
   Guru Jambeshwar University of Science &
   Technology, Hisar
10. **Dr. R.K. Jain**
    Assistant Professor,
    Vardhaman Mahaveer Open University,
    Kota

Editing and Course Writing

Editor

Prof. H.B. Bansal
Haryana Business School,
Guru Jambeshwar University of Science & Technology, (Hisar)

Writers

Ms. Bhumija Chauhan (Unit No. 1,2,3)
Department of Management,
The IIS University, Jaipur

Ms. Kavya Saini (Unit No. 5,7)
Department of Management,
The IIS University, Jaipur

Prof. Parimal H. Vyas (Unit No.6)
Deptt. of Commerce & Business Admn.,
M.S. University, Vadodara

Dr. Renu Pareek (Unit No.8,9)
Department of Management,
Suresh Gyan Vihar University, Jaipur

Dr. Sanjay Jain (Unit No.11)
Nirma Institute of Management, Ahamedabad

Dr. Vivek Sharma (Unit No.12)
Institute of Management, Studies,
Devi Ahilya University, Indore

Dr. Mamta Gupta (Unit No.13)
Govt. Girls College, Jammu

Dr. Sapna Patawari (Unit No.15)
Deptt. of Management, Studies,
JNV University, Jodhpur

Ms. Richa Jain (Unit No.10,14,16)
Om Kothari Institute of Management & Research,
Kota

Shri Akhilesh Jain (Unit No.4,18)
Proceed Business School, Kota

Dr. B.D. Sharma (Unit No.17)
Government Commerce College, Kota

Academic and Administrative Management

Prof. (Dr.) Naresh Dadhich
Vice-Chancellor
Vardhaman Mahaveer Open University, Kota

Prof. M.K. Ghadoliya
Director (Academic)
Vardhaman Mahaveer Open University, Kota

Mr. Yogendra Goyal
Incharge
Material Production and Distribution Departmant

Course Material Production

Mr. Yogendra Goyal
Assistant Production Officer,
Vardhaman Mahaveer Open University,
Kota

PRODUCTION: May, 2011

Printed and published on behalf of V.M. Open University, Kota by Registrar.

MP-106

Vardhaman Mahaveer Open University, Kota

CONTENTS

Marketing Management

INTRODUCTION

Basic objective of this course is to help the learners to have an understanding of concepts of marketing management and develop the skills for making marketing decisions. **Block - I : Marketing Concepts** describes the core issues like meaning, scope, concepts, philosophy, marketing mix and environement of marketing. **Block - II : Buying Process and Behaviour** deals with market segmentation, targeting and positioning, consumer buying behaviour, marketing information system and marketing research. **Block III : Product and Pricing Decisions** describes the related topics like product decisions branding, packaging and pricing decisions in the concerned units.**Block IV : Distribution and Promotion Decisions** consists of units focussing upon distribution channels, marketing communication and marketing strategies. **Block V : Emerging Issues** describes the current trends and strategies of marketing, multi-level marketing, consumerism and event marketing in respective units.

Unit-1 : Marketing : An Introduction

Unit Structure

1.0 Objectives

After studying this unit you should be able to understand :

- The Meaning of Marketing
- The Marketing Concept
- The Marketing Mix and
- How marketing concept and marketing mix are integrated in practice, thus resulting in the marketing process and strategy.

1.1 Introduction

In today's competitive environment, focus on customer satisfaction is essential to the success of any organization. Foreign and domestic organizations are realizing that profit will only be achieved through the use of marketing. Marketing focuses on satisfying the needs and wants of customers through exchange processes. It is the only revenue-producing activity for the organization. Peter Drucker says, "Because its purpose is to create a customer, the business has two - and only two functions: marketing and innovation. Marketing and innovation create value, all the rest are costs. Thus, sound marketing is critical to the success of the organization, whether for profit or not- for-profit, foreign or domestic.

The idea that 'profit is not the primary goal of business' is not a new. In 1954, Peter Drucker made this point in his book, The Practice of Management. "Profit is not the explanation, cause or rationale of business behavior and business decisions, but the test of their validity." Profits are an essential result of business success. Again, the true purpose is the creation of customers: the efficient provision of goods and services which people want to buy. Satisfy customers and profit will follow.

As Change is occurring at an accelerating rate, continuing today's strategy is risky; so is turning to a new strategy. Therefore, tomorrow's successful companies will have to head three certainties:

- Global forces will continue to affect everyone's business and personal life.
- Technology will continue to advance and amaze us.
- There will be a continuing push toward deregulation of the economic sector.

These three developments—globalization, technological advances, and deregulation— spell endless opportunities. But what is marketing and what does it have to do with these issues?

Different people with different objectives would opt to learn marketing. However, marketing as you will soon see, is important whether you are in the marketing function or any other function of a business. Thus, you have embarked on the study of an existing subject which can also increase your creativity.

Marketing is a restless, changing and dynamic field. Marketing has become the core function of business in all commercial and non-commercial activities. It is the only function which decides success or failure of business to a large extent. Globalization and economic liberalization has made marketing more complex and important in modern business because it is dynamic, challenging rewarding along with frustrating and disappointing fluid, but it can never be dull. Many people think that marketing is just selling and advertising. Peter Drucker explains "The aim of marketing is to make selling superfluous. The aim is to know and understand the customer so well that the product or service fits him or her and sells itself." This is not to say that selling and advertising are unimportant, but rather that they are part of a larger "marketing mix" that must be orchestrated for maximum impact on the marketplace.

1.2 The Meaning of Marketing

The term 'market' originates from the latin noun 'Marcatus' which means "a place where business is conducted". A layman has somewhat similar connotations of the world market which brings to his mind a place where the buyers and sellers personally interact and finalize deals. William J. Stanton has defined marketing as "a total system of interacting business activities designed to plan, price, promote and distribute want satisfying product and services to present and potential customers.

H.L. Hansen defines marketing as the process of discovering and translating consumer needs and wants into product and service specification, creating demand for those products and services and then in turn expanding this demand. Philip Kotler defines marketing as the set of human activities directed at facilitating and consummating exchanges. The essence of marketing is exchange of products and the transaction is to satisfy human needs and wants.

The American Marketing Association (AMA) defines **marketing** as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.This definition of marketing first appeared in *Marketing News* on March 1, 1986. It is included in the Dictionary of Marketing Terms, 2d edition, edited by Peter D. Bennett, published by the American Marketing Association, 1995.

Marketing may be narrowly defined as a process by which goods and services are exchanged and the values determined in terms of money prices. According to Cundiff and Still "Marketing is the business process by which products are matched with the markets and through which transfers of ownership are effected." E. Jerome McGartly defines marketing as the response of businessman to the need to adjust production capabilities to the requirements of consumer demands.

Marketing is a creative management function which enhances trade and employment. It coordinates the resources of production and distribution of goods and services, determines and directs the nature and scale of the total efforts required to sell profitably the maximum production to the ultimate user. The definition of marketing describes the nature of the process. Ralph Mroz of ad lineam defines **marketing** as the process that aligns the desires of customers with the capabilities of the enterprise. Marketing is a continuous cycle that involves satisfying customer needs and wants by creating mutually beneficial exchanges. A **need** is a state of felt deprivation. A **want** is the conscious recognition of a need. Marketing begins with an idea about a want-satisfying product and does not end until customers' wants are completely satisfied.

Marketing is the basic reason for the existence of a business organization. In the age of fast changes, marketing is springboard of all business activities. It works as the guide for all business/non-business organization. It is a powerful mechanism which alone can satisfy the needs and wants of consumers at the place and price they desire. Marketing is said to be the eyes and ears of a business organization because it keeps the business in close contact with its economic, political, social and technological environment, and informs it of events that can influence its activities as per requirements of the market.

According to Leslie Fodger "Marketing is the primary management function which organizer and directs the aggregate of business attitudes involved in converting customer's purchasing power into effective demand for a specific product or services and in moving the product or services to the final consumer or user so as to achieve the company set or other objectives.

1.2.1 The Scope of Marketing

Marketing people are involved in marketing of different of entities: goods, services, experiences, events, persons, places, properties, organizations, information, and ideas. In developing nations, goods particularly food, commodities, clothing, and housing are the mainstay of the economy.

Goods - Physical goods constitute the bulk of most countries' production and marketing effort.

Experiences - By orchestrating several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience.

Events - Marketers promote time-based events such as trade shows, sports events, and artistic performances.

Services - As economies advance, a growing proportion of their activities are focused on the production of services. 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.

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.

Places - Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents.5 Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

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.

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).

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.

Information - The production, packaging, and distribution of information is one of society's major industries.6 Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

1.3 Core Marketing Concepts

The concept of marketing is essentially a concept of customer orientation. For a long time it has been preached by all including Mahatma Gandhi that the customer is king. It implies that products/services are bought not merely because of their quality, packaging or brand name, but because they satisfy a specific need of a customer. It also implies that organization, have to provide service to their customer and that too without any obligation. In other words marketing means understanding and responding to customer needs, a prerequisite for any organizations success. To be successful, any organization has to be competition oriented too. It has to continuously determine its competitive advantage and should take steps to further augment it.

Successful marketing companies continuously monitor customer needs, wants and preferences. The companies integrate all elements of the marketing mix into a sound business plan that could help them to effectively fight competition. For example, the launch of and the subsequent range for Maggi Noodles all over India. The company understood customer needs and also effectively serviced it by adopting an integrated marketing mix. Successful marketing companies have highly developed marketing systems that act as a market barometers. All major marketing decisions are based on the basis of market information emerging from these systems. Test marketing is used effectively for making change in the marketing mix. Companies on the track of success have an important characteristic that is in these organizations, everybody from the chief executive to the lowest level is market oriented. The customer is given the key importance and accordingly, his interests override organizational interests. Another important aspect of customer orientation is the speed at which customer's problems are resolved. Given today's interactive technologies, including toll-free phone and call centres, companies now realize that their competitive advantage is determined by their speed of response. Companies like Standard Chartered Bank, HDFC Bank and ICICI Bank see their survival hinging on this particular aspect.

Today, the need for customer-centric organization is increasing by being appreciated. The organizational pyramid needs to be inverted and the customer be placed on top of the pyramid. The importance of recognition from the customer is far more valuable than that from the CEO of the company. This process of inverting the pyramid is commonly seen in organizations like Scandinawian Airlines, Jet Airways, Domino'z pizza's and HDFC Bank. In order to evolve as a customer-centric organization, it is important that the firms take care of their internal customer also. In other words, internal customer focus is as important as the external customer focus. This is because, customer satisfaction is a means and not an end.

1.3.1 Target Markets and Segmentation

A marketer can rarely satisfy everyone in a market. Not everyone likes the same soft drink, automobile, college, and movie. Therefore, marketers start with *market segmentation.* They identify and profile distinct groups of buyers who might prefer or require varying products and series. Market segments can be identified by examining demographic, psychographic, and behavioral differences among buyers. The firm then decides which segments present the greatest opportunity—those whose needs the firm can meet in a superior fashion.

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 benefit(s).

Traditionally, a “market” was considered as a physical place where buyers and sellers gathered to exchange goods. 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).

1.3.2 Marketers and Prospects

Another core concept is the distinction between marketers and prospects. A marketer is someone who is seeking a response (attention, a purchase, a vote, a donation) from another party, called the prospect.

1.3.3 Needs, Wants, and Demands

The successful marketer tries to understand the target market’s needs, wants, and demands. Needs describe basic human requirements such as food, air, water, clothing, and shelter. People also have strong needs for recreation, education, and entertainment. These needs become wants when they are directed to specific objects that might satisfy the need. Demands are wants for specific products backed by an ability and willingness to pay. 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.

1.3.4 Product or Offering

Companies address needs by putting forth a value proposition a set of benefits they offer to customers to satisfy their needs. The intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences. People satisfy their needs and wants with products. A brand is an offering from a known source. A brand name such as McDonald’s carries many associations in the minds of people: hamburgers, fun, children, fast food, golden arches. These associations make up the brand image. All companies strive to build a strong, favorable brand image.

1.3.5 Value and Satisfaction

In terms of marketing, the product or offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings on the basis of which is perceived to deliver the most value.

We define value as a ratio between what the customer gets and what he gives. The customer gets benefits and assumes costs, as shown in this equation:

$$\text{Value}=\frac{\text{Benefits}}{\text{Costs}}=\frac{\text{Functional benefits}+\text{emotional benefits}}{\text{Monetary cost}+\text{time cost}+\text{energy costs}+\text{phychic costs}}$$

Based on this equation, the marketer can increase the value of the customer offering by (1) raising benefits, (2) reducing costs. Value reflects the perceived tangible and intangible benefits and costs to customers. Value can be seen as primarily a combination of quality, service, and price (qsp), called the “customer value triad.” Value increases with quality and service and decreases with price, although other factors can also play an important role. Value is a central marketing concept. Marketing can be seen as the identification, creation, communication, delivery, and monitoring of customer value. Satisfaction reflects a person’s comparative judgments resulting from a product’s perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied and if the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

1.3.6 Exchange and Transactions

Exchange, the core of marketing, involves obtaining a desired product from someone by offering something in return. Exchange is a value-creating process because it normally leaves both parties better off. Exchange is a process rather than an event. Two parties are engaged in exchange if they are negotiating—trying to arrive at mutually agreeable terms. When an agreement is reached, we say that a transaction takes place. A transaction involves at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement.

1.3.7 Relationships and Networks

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. Relationship marketing builds strong economic, technical, and social ties among the parties. It cuts down on transaction costs and time. In the most successful cases, transactions move from being negotiated each time to being a matter of routine.

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. Increasingly, competition is not between companies but rather between marketing networks, with the profits going to the company that has the better network.

1.3.8 Marketing Channels

To reach a target market, the marketer uses three kinds of marketing channels. Communication channels, deliver messages to and from target buyers, through different channels like newspapers, magazines, radio, television, mail, telephone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, communications are conveyed by facial expressions and clothing, the look of retail stores, and many other media. The marketer uses distribution channels to display, sell, or deliver the physical product or service(s) to the buyer or user. They include distributors, wholesalers, retailers, and agents. The marketer also uses service channels to carry out transactions with potential buyers. Service channels include customer call, after sales services, warehouses, transportation companies, banks, and insurance companies that facilitate transactions.

1.3.9 Supply Chain

The supply chain describes a larger channel stretching from raw materials to components to final products that are carried to final buyers. The 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.

1.4 Marketing Management Shifts

A number of important trends and forces are eliciting a newer set of beliefs and practices on the part of business firms. Marketers are rethinking their philosophies, concepts, and tools. Here are major shifts in marketing management that smart companies have been making in the twenty-first century.

1. **From marketing does the marketing to everyone does the marketing:**

   Companies generally establish a marketing department for creating and delivering customer value.

Companies now know that marketing is not done only by marketing, sales, and customer support personnel; every employee has an impact on the customer and must see the customer as the source of the company's prosperity. Companies are beginning to emphasize interdepartmental teamwork to manage key processes. More emphasis is also being placed on the smooth management of core business processes, such as new-product realization, customer acquisition and retention, and order fulfillment.

2. **From using many suppliers to working with fewer suppliers in a ship:**

   Companies are reinforcing partnering arrangements with key suppliers and distributors. Such companies have shifted from thinking of intermediaries as customers to treating them as partners in delivering value to final customers

3. **From relying on old market positions to uncovering new ones:**

   In highly competitive marketplaces, companies must always move forward with marketing programs, innovating products and services, and staying in touch with customer needs. Companies must always be seeking new advantages rather than just relying on their past strengths.

4. **From organizing by product' units to 'organizing by customer's segments:**

   Some companies are now switching from being solely product-centered with product managers and product divisions to manage them to being more customer-segment-centered.

5. **From emphasizing tangible assets to emphasizing intangible assets:**

   Companies are recognizing that much of their market value comes from intangible assets, particularly their brands, customer base, employees, distributor and supplier relations, and intellectual capital.

6. **From making everything to buying more goods and services from outside:**

   More companies are choosing to own brands rather than physical assets. Companies are also increasingly subcontracting activities to outsourcing firms. Theymaximum outsource those activities that others can do more cheaply and better, but retain core activities.

7. **From relying on old market positions to uncovering new ones:**

   In highly competitive marketplaces, companies must try to make their forget customers understand and appreciate that their brand is better than the complying brands. Companies must always be seeking new advantages rather than just relying on their past strengths.

8. **From building brands through advertising to building brands through performance and integrated communications:**

   Marketers are moving from an overreliance on communication tool such as advertising or sales force to blending several tools to deliver a consistent brand image to customers at every brand contact.

9. **From selling to everyone to trying to be the best firm serving well-defined target market:**

   Companies are also making substantial investments in information systems as the key to lowering costs and gaining a competitive edge. They are assembling information about individual customers' purchases, preferences, demographics, and profitability.

10. **From attracting customers through stores and salespeople to making products available online:**

    Consumers can access pictures of products, read the specs, shop from online vendors for the best prices and terms, and click to order and pay. Business-to-business purchasing is growing fast on the Internet. Personal selling can increasingly be conducted electronically, with buyer and seller seeing each other on their computer screens in real time.

11. From a focus on gaining market share to a focus on building customer share:

A bank aims to increase its share of the customer's wallet; the supermarket aims to capture a larger share of the customer's "stomach." Companies build customer share by offering a larger variety of goods to existing customers. They train their employees in cross-selling and up-selling.

12. From focusing on profitable transactions to focusing on customer value:

Companies normally would aim to make a profit on each transaction. Now companies are focusing on their most profitable customers, products, and channels. They estimate individual customer lifetime value and design market offerings and prices to make a profit over the customer's lifetime. Companies now are placing much more emphasis on customer retention. Attracting a new customer may cost five times as much as doing a good job to retain existing customers

13. From being local to being "glocal"—both global and local:

Firms are adopting a combination of centralization and decentralization to better balance local adaptation and global standardization. The goal is to encourage more initiative and "intrepre-neurship" at the local level, while preserving the necessary global guidelines and standards.

14. From focusing on shareholders to focusing on stakeholders:

Top management respects the importance of creating co-prosperity among all business partners and customers. These managers develop policies and strategies to balance the returns to all the key stakeholders.

15. From focusing on the financial scorecard to focusing on the marketing scorecard:

Top management is going beyond sales revenue alone to examine the marketing scorecard to interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They know that changes in marketing indicators predict changes in financial results.

1.5 Marketing as a 'Process'

The process of marketing involves an exchange transaction between the buyer and the seller. In this form, the origin of marketing can perhaps be traced to the first known human civilization. The barter system is well known to us. Today, in this system, money has replaced the commodity. The difference lies in the fact that marketing emphasizes on the mutual satisfaction of both the buyer and the seller. In this exchange transaction the underlying assumption is the development of a long-term relationship between them. The buyer's gain is the satisfaction on the purchase and the subsequent consumption of the product, whereas the seller's gain is the profit that he/she makes on such a transaction. Thus to be termed as a marketing transaction, the exchange must result in mutual satisfaction to both the buyer and the seller. The essence of this is :

(a) Marketing is an exchange process-both buyer and seller must have something to give to each other.

(b) Both the buyer and the seller must gain.

(c) It should result in a long-term satisfying relationship between them.

Therefore, it can be concluded that marketing as a process involves (a) understanding the customers interest and (b) serving them in such a way that it helps the selling organization to fulfill its objective-profit maximization. In today's competitive world, it is therefore important for organizations to examine ways and mean to develop mutually satisfying long-term relationship with their buyers. It is possible today to customize the marketing mix to suit target customer groups. Interactive technologies have made it possible to continuously track consumption behavior, brand preferences and even purchasing behavior of consumers.

Market leaders are successful by using information of their target customers to design and redesign their marketing mix. Several companies like Hindustan unilever had applied this knowledge to adapt their products to customer needs and also to redesign their distribution strategies. They use technologies like satellite mapping of various markets web and extranet to cover intermediaries in order to optimize their supply chain right up to the end. Thus the crux of marketing process is the identification consumer needs and sowing them by providing an effective service.

1.6 Marketing Management Tasks

The core concepts and others provide the input for a set of tasks that make up successful marketing management. The following are the tasks of Marketing Management:

1. **Developing marketing strategies and plans**: The first task is to identify its potential long-run opportunities given its market experience and core competencies.
2. **Capturing marketing insights**: To understand what is happening inside and outside the company, it needs a reliable marketing information system as it will want to closely monitor its marketing environment.
3. **Connecting with customers :** Companies must consider how to create best value for its chosen target markets and develop strong, profitable, long-term relationships with customers.
4. **Building strong brands:** Companies must understand the strengths and weaknesses of the their brand vis-a-vis company brands in the eyes of consumers.
5. **Shaping market offerings:** At the heart of the marketing program is the product-the firm's tangible offering to the market, which includes the product quality, design, features, and packaging.
6. **Delivering value:** Companies must also determine how to deliver the value embodied by these products and services to the target market. It includes various activities that the company undertakes to make the product available to target customers.
7. **Communicating value:** Companies must also adequately communicate the value embodied by its products and services to the target market. Marketing communications activities are the means by which firms attempt to inform, persuade, and remind consumers about the brands they sell. Companies must develop an integrated marketing communication program that maximizes the individual and collective contribution of all communication activities.
8. **Creating long term growth:** Companies must also take a long-term view of its products and brands and how its profits should be grown. Based on its product positioning, they must initiate new-product development, testing, and launching .The strategy also will have to take into account changing global opportunities and challenges.

1.7 Marketing Mix

The term 'marketing mix' was introduced by Prof. N.H. Borden of the Harward Business School.

It describes combination of the four inputs which constitute a company's marketing system the product, the distribution system, the price structure and the promotional activities.

Marketing mix strategy is an overall marketing approach that is used to achieve objectives of strategy marketing plans. A marketer involves several factors while dealing with the marketing-mix strategy product lines, brands and packaging, price setting and strategies, channel, design, selection and management and communication strategies.

According to Mr. Jerome McCarthy an American expert "Marketing mix is the pack of four sets of variables, namely product variables, price variables, promotion variables and place variables.

According to Stanton marketing-mix is a combination of four elements – product, pricing structure, distribution system and promotional activities used to satisfy the needs of an organizations target market and at the time achieve its marketing objectives. Marketing mix represents a blending of decision in four areas, product, pricing, promotion and physical distribution. These elements are interrelated because decision in one area usually affects actions in the others.

Marketing mix is the set of controllable variables and their levels that the firm uses to influence its target market. McCarthy popularized the four Ps nearly product, price, place and promotion.

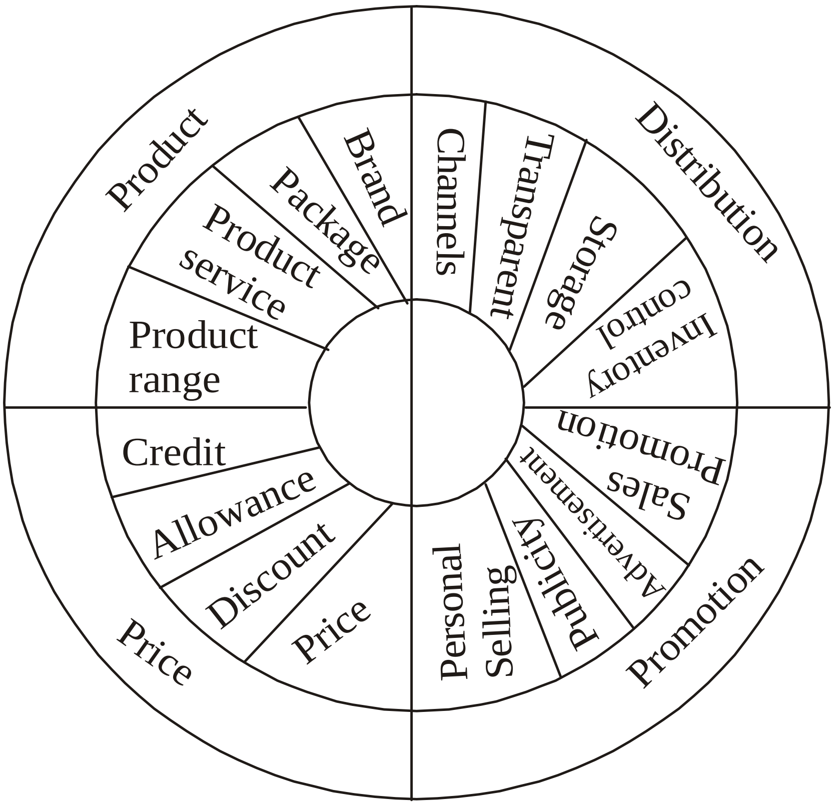
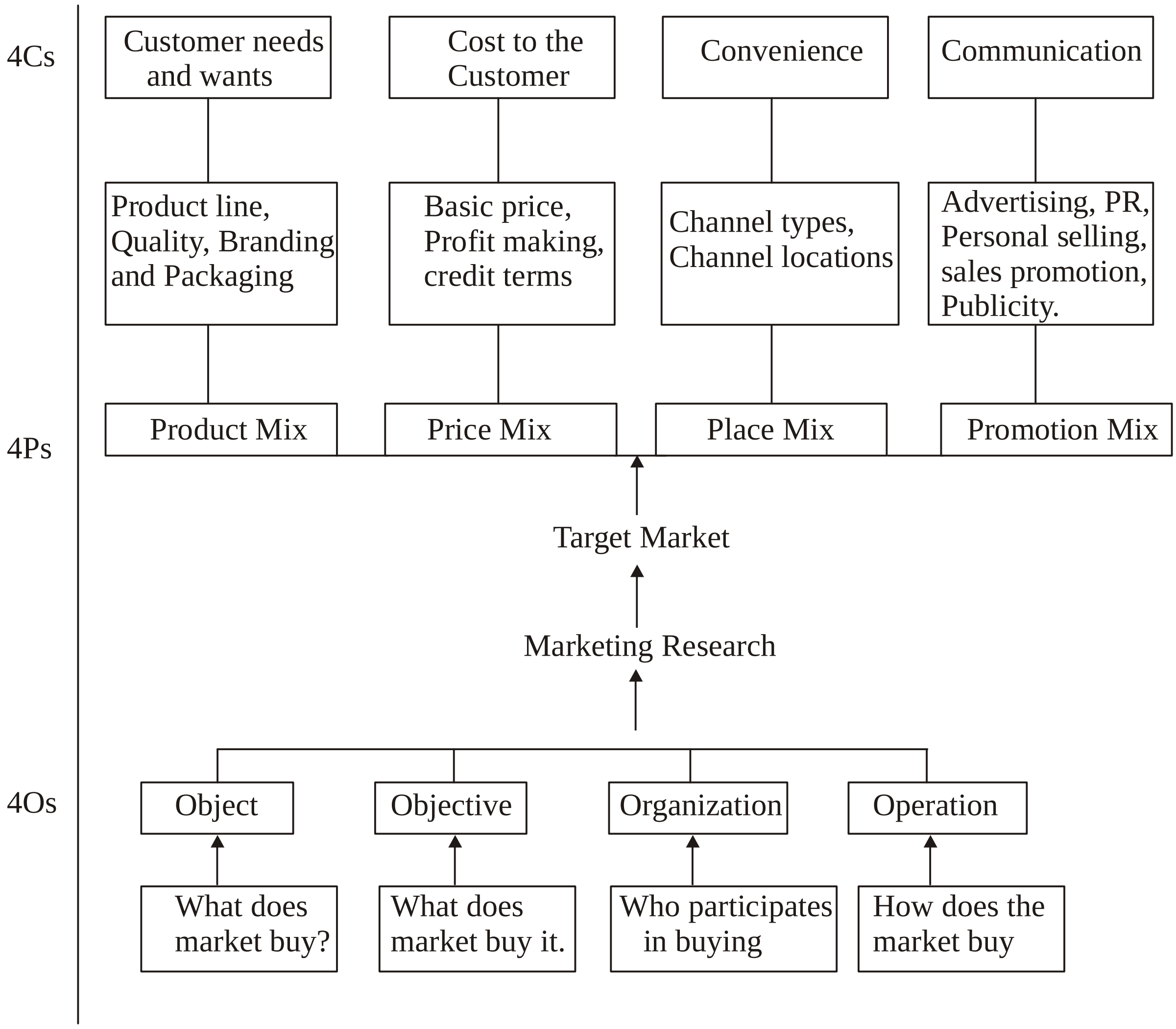


Figure : 1 Marketing Mix

Marketing – mix is a combination of several mixes as shown in above fig. Marketing – mix encompasses product-mix (brand, quality, weight, etc.), price-mix (unit price, discount credit etc.), promotion-mix (advertising, salesmanship and sales promotion), and place-mix (distribution channels, transport, storage etc.)

Understanding Marketing Mix



Robert Lanterborn has developed a new model which is based on buyers point of view and in which each marketing activity is designed to deliver a customer benefits. These '4Ps" and "4Cs' are as follows :

Four V/s Ps	Four C/S
• Product • Price • Place • Promotion	• Customer's need • Customer's cost • Convenience • Communication

Today many expects believe that, McCarthy's 4 Ps have lost their relevance and Robert's 4 Cs are more appropriate in changed situation. It gives new look to marketing activities and strategies. However, from study point of view '4 Ps' have their own significance. Every marketing manager should make a judicious mixture of these four Ps.

1.7.1 Importance of Marketing Mix :-

Determination of marketing-mix is an important decision which the marketing manager has to take. If proper marketing mix is determined the following benefits will occur to the organization.

(1) Marketing-mix takes care of the needs of the customers, it helps in increasing sales and earning higher profits.

(2) Marketing-mix facilitates meeting the requirements of different types of customers.

(3) Marketing-mix gives consideration to the various elements of the marketing system. There is a balanced relation between these elements.

(4) Marketing-mix facilitates meeting the requirements of different types of customers.

(5) Marketing-mix serves as the link between the business firm and its customers. It focuses attention on the satisfaction of customers.

Various elements of marketing-mix are inter related and inter dependent as shown in the fig. below. For instance, feature of a product inefficient its price, but the price customer can pay also determines the product features. The choice of channels is determined by the nature of product and its price. Similarly, promotional activities add to the cost of the product, the nature of product and its price also influence the kind of promotion to be done.

Product	Price	Place/Distribution	Promotion
• Product Design	Cost	• Channel selection	• Sales promotion
• Product Develoment	• Compulsory price	• Channel coverage	• Advertising
• Product variety	• Discount and allowance	• Inventory Management	• Publicity
• Quality	• Credit Period and terms	• Storage and ware housing	• Public relation
• Features		• Distribution logistics	• Direct marketing
• Packaging			
• Branding			
• Services			
• Warranties			

(Interaction)

Figure : Interaction between components of Marketing Mix

A brief description of the elements of marketing-mix is given below :

(1) Product : Product is a set of tangible and intangible attributes designed to satisfy consumer needs. Marketing activities start from the generation of idea about product and ends with the positioning of the product in the target markets. Customers needs should be identified by the company, so it could design the product or services accordingly. In the process of product planning and development, the marketer should take into account the right design, desired color and size, preferred style, appealing brand name, attracting packaging, well informed label and effective after sales services of the products. The marketer should identify the important specific variable out of the above and it should be given due importance in product planning and development. In short, product planning and development involves decisions about (1) quality of the product (2) size of the product (3) design of the product (4) volume of production (5) packaging (6) warranties and after – sale service (7) product testing and product range etc.

(2) Price : It is one of the most difficult tasks of the marketing manager to fix the right price. The marketing manager has to do a lot of exercise to determine the price. Price is the value of the product or service expressed in monetary turns. From buyer's point of view, it is the cost which he is paying to marketer in order to obtain product or service. Price has its important role in marketing. The price of the product is related with affordable paying capacity of the consumer, the purpose and motive behind the purchase etc. The marketer should explore and design suitable price strategies to capture maximum market share. Major price policies and strategies are geographical pricing, uniform pricing, unit pricing, resale price maintenance, leader pricing, follow the leader pricing, skim pricing, psychological pricing, price competition, non – price competition and discount and allowances Pricing decisions and policies have direct influence on the sales volume and profits of the firm. Price, therefore is an important element of the marketing-mix. Right price can be determined through pricing research and by adopting test marketing techniques.

(3) Promotion : Promotion is the communication by the marketer to its target customers regarding its products or services. In advertising, sales promotion and publicity it is unilateral. In personal selling it is fully bilateral but in public relations it is up to some extent bilateral. The marketer must make a judicious mixture of three basic elements of sales promotion, advertising, personal selling and sales promotion keeping in view the type of product, number of customers, geographical area of market, financial and managerial resources. Promotion deals with informing and persuading the customers regarding the firms product. Most promotional campaigns comprise a combination of two or more promotional methods as no single method of promotion is effective alone. This situation has arisen because of large scale competition and widening of market. There is no ideal promotional-mix that fits all situations. Factors like nature of product, nature of customer, stage of demand and promotional budget influence the inputs that should be taken into consideration while divising a promotion plan.

(4) Place or Physical Distribution : Production has no meaning until and unless the product is delivered to the consumers. In this regard, the marketer should select the right distribution policy. The marketer should take into account the factors affecting the choice of channel of distribution. Place-mix entails activities that are necessary to transfer – ownership of goods to customers and to make available goods at the right time nad place. Thus it includes decision about the channel of distribution and the place at which the products should be displayed and made available to the customers. The basic purpose of establishment of channel is to provide convenience in buying to the customers so that they can purchase firms products or services without any harassment. The important channels used for physical distribution of goods are wholesalers and retailers. In some cases the manufacturers even own the retail outlets. e.g. oil companies in India have their own stations distributing their petroleum products. Many manufacturers like Eureka Forbes also sells directly to consumers through their sales force.

The Fifth P : Packaging : Apart from the 4Ps which are basic to the value delivery process of any company, packaging has assumed its importance as the 5^{th} 'P' of marketing mix strategy. Packaging is the art, science and technology of preparing goods for transport, sale and exchange. In recent times, packaging has become an effective marketing tool. It has become a useful marketing tool because of the growing importance of self-service, innovation in packaging industry. Packaging has become important for all products including services. The significance of packaging has increased these days because of severe competition in the market and rise in the standard of living of the people. Packaging facilitates the sale of a product. It acts as a silent salesman of the manufacturer, particularly at a place where there is methods of retail selling, automatic vending and other self-selection methods of retail selling.

Packaging means wrapping, compressing, filling or creating of good for the purpose of protection of goods and their convenient handling. Packing is essential for placing various kinds of goods in appropriate packages. Good packing not only means greater attention of the customers but also increases the durability of the product. Packaging in the designing and producing of the container or wrapper for a product in order to prepare the goods for transport, sale and usage. e.g. Dettol liquid comes in a package which facilitates easy pressing of the top portion by thumb and ultimate release of the liquid Dettol. If this function cannot be performed, the package would be useless for the consumer. Thus, properly designed package would enhance the value of its contained product.

The Expanded Marketing Mix :

In service industry one needs more Ps than the five already discussed. These are as follows:

(1) Physical Evidence : Before making a service purchase, the customer doesn't know how to examine the quality of service provided by a service outlet and hence certain physical clues like actual location etc. help in making a decision. Thus cleanliness at school, college, hotels, clinics, restaurants, cinema hall, airports etc. becomes more important. Where people exchange the services, the provision of adequate facilities become more important as in case of hotels, airports etc. Second part of the physical evidence is the peripherals service coupon, air ticket, cash memo, cheque book, token, slips, pen, crockery etc. A total of the two 'facilities and peripherals' bring about the image of the organization.

(2) People : People constitute an important dimension of marketing of services as quality of service depends of quality employees it has. As provider of services, the marketer must deliver the right product to the customer. Every employees in the organization becomes a sales person of company's service. Therefore, his attitude, style, sense of responsibility etc. become more important. People are important to influence the other customers.

(3) Process : It refers to the process by which a customer is served with the desired product. The process of delivery becomes important in a service organization. It includes the procedures, mechanism and routines which remain within the organization. The decisions in service process cover technology, specific equipments, location, layout etc. Effective marketing must communicate with the customer through right processes so that customer convenience is of atmost importance.

Thus we see that marketing of services requires an expanded marketing mix comprising the product, price, place, promotion and the people, physical evidence and process. The marketer has to be more careful in selecting the right marketing-mix strategy in case of marketing of services to satisfy the customer requirements.

1.8 Marketing Strategy

Having now understood the importance of consumer orientation as well as the elements of the marketing mix, it should be remembered that the marketing strategy consists in directing a proper marketing mix towards a target group of customers or market segment. It is noticed that the four P's are decided and directed at the consumers on the basis of proper diagnosis of firm-market system arrived through the process of marketing research.

1.9 Significance of Marketing Management in India

The Indian market is the second largest market in the world in terms of population after China. The scope of marketing management in India is very bright. Globalization and economic liberalization has made it more prosperous and better. The marketers have now become global and highly competitive and they are fast expanding. Marketing is highly useful for the society as following points explains :

(1) Marketing delivers a higher standard of living through providing better taste and proper goods and services to the society.

(2) Marketing also helps in increasing national income.

(3) Marketing provides optimum use of vast and varied natural resources of the country.

(4) Marketing companies through the exports provide valuable foreign exchange the to the central government.

(5) Marketing facilitates providing employment to large number of people.

(6) Marketing helps in saving the economy from depression.

(7) Marketing helps in reducing distribution costs. Thus people get goods and service at reasonable price.

(8) Marketing provides financial resources to the central, states and local governments in the form of various taxes.

Marketing is also useful or beneficial to a firm. The firm may engage itself either in production or in marketing function. The benefits imparted to the firm by the marketing of goods are :

(1) It enables the firm to even profits.

(2) It enables the firm to decide on what, where and when to produce or sell.

(3) Marketing is helpful in distribution also. It tells the firm that at what minimum cost and with full convenience, product or service should be sold to customers.

(4) It also serves as a source and channel of new ideas. The firm can collect market information through marketing research or salesmen or middlemen or from more than one of these sources.

(5) The firm gets information about changing situation through marketing.

From wholesalers or at times from manufacturers and then sells directly to consumers or users. The retailers may range from a small pan shop to a large departmental store.

1.10 Summary

We have noticed that marketing is not really an activity which should be looked upon in a vacuum or in isolation. It is in essence taking a view of the whole business organization and its ultimate objectives. Concern for costomer must penetrate all areas of the enterprises. Marketing emphasizes the belief, handed down for a long time by good marketing people, that the customer is the king and his satisfaction must be the ultimate aim of a business activity. It is because of this that all business thinking in management must start with identification of a need of a group of likely customers. This leads to identification of the type of product or service to be offered. The product or service is aimed at satisfying the needs of a group of consumers, known as customer segment or segments. This is followed by a host of decisions and activities known as the marketing mix directed to secure consumer-satisfaction as well as profitability for the organization.

1.11 Key Words

- **Marketing Concept :** It emphasizes consumer-orientation and satisfaction as well as profitability for the organization.

- **Need :** A human need is a state in which a person feels deprived of something.
- **Price :** This is the money value for the product or service offered by an organization.
- **Retailer :** This is the outlet where from consumers buy generally.
- **Selling :** This consists of exchange of a product by the salesman or shopkeeper with the customer for money and in case of the modern concepts of selling it most result in satisfaction of the consumer and profitability for the organization.
- **Want :** A need has to be converted into a want for our product or service through adequate marketing strategy such as promotion.
- **Wholesaler :** He is a person who buys large quantities from the manufacturer and then sells in smaller quantities to the shopkeeper or retailer who ultimately sells it to the consumer or user.

1.12 Self-Assessment Test

1. Define ‘Marketing’ and distinguish it from ‘Selling’.
2. ‘Marketers can create needs’, Do you agree? Give reasons to support your answer.
3. What is marketing? Give the modern definition of marketing and explain the main features of marketing.
4. Discuss the concept nature and scope of marketing State its importance in the Indian economy.
5. “There is one and only one valid definition of business purpose-to create a customer”. Discuss this statement keeping in view the nature and purpose of marketing.
6. How does marketing affect the lives of people? Explain with reference to various created by marketing.
7. State the nature of marketing. How does marketing satisfy the wants of people? Explain.
8. “The present-day marketing is consumer oriented.” Explain.
9. “Pricing and Promotion are integral elements of marketing-mix of a firm comment.”
10. Why is it important to have a right marketing mix? Discuss the elements of marketing-mix in brief.

1.12 Reference Books

1. Marketing by M.J. Etzel, B.J. Walker and W.J. Stanton, Tata Mcgraw Hill, New Delhi.
2. Marketing - A Managerial Introduction by J.C. Gandhi, Tata Mcgraw Hill, New Delhi.
3. Marketing Management by V.S. Ramaswami and S. Namakumari.
4. Principles of Marketing by Kotler and Armstrong, Tata Mcgraw Hill, New Delhi.

Unit-2 : Philosophy of Marketing

Unit Structure

2.0 Objectives

After studying this unit you should be able to understand :-

- The Philosophy of Selling
- The Philosophy of Marketing
- Modern Marketing Philosophy

2.1 Introduction

Marketing plays a major role in our daily lives. Each day is filled with consuming products made available by marketers. We to markets each time we buy a product. In fact, half of every rupee spent at the retail level goes to cover marketing costs. Marketing is responsible for satisfying customers, which in turn increases our standard of living and quality of life.

The purpose of entire marketing operations is to provide goods and services to target consumers. Delivery of goods and services to consumers in governed by the marketing philosophy of the organization. Marketing philosophies that are key concept or ideas to management of marketing practices as advocated by scholars. Marketing is the process in society and organizations of planning and executing the concept, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

Marketing has many definitions, too many to considered here. Gibson et al (1993) found over 100 definitions and argued that no single definition of marketing should be aimed for since it might limit the future development of marketing as an academic discipline. The academic discipline of marketing has core schools of thought, where marketing is seen as either a philosophy or as a function. Where marketing is considered a philosophy, the marketing concept is embedded in management thought. With the alternative view, where marketing is a function within a business, marketing is seen as a department, in the same way as accounting or personnel. Marketing philosophies are based on fair marketing concepts. Each in marketing concepts has its own marketing implications.

2.2 Marketing Philosophy

Philip Kotler has shown five competing concepts for carrying out marketing activities in an organization:-

(1) Production Concept

(2) Product Concept

(3) Selling Concept

(4) Societal Marketing Concept

(5) The Holistic Marketing Concept

1. **Production Concept** :

The focus of marketing efforts should be on improving production and distribution efficiency. This works well when there is a great deal of unmet demand for a product or when the cost of the product is so high that it needs to be manufactured cheaper in order to get consumers to adopt it. This philosophy is clearly seen in an anecdote about Henry Ford. When someone asked him why his popular Model T automobile was not available in the variety of colors, he is supposed to have quipped "Customers can have it in any color they want, as long as it is black!"

The philosophy holds that high production efficiency and wide distribution coverage would sell the product offered to the market. The high production efficiency means that the input – output ratio is favorable. It means that customer favors products offered at a lower price and also easily available. The concept was based on high demand and low supply and never recognized the importance of customers. This orientation of the organization is mostly practiced in situations where demand exceeds supply or product cost is high that can be brought down by mass production. In practice, production concept is followed by many factory owners, government agencies like employment offices, telephone operators, traffic inspectors etc.

The production concept was rampant in American industry during the Industrial Revolution. Companies prided themselves on manufacturing more products cheaper than their competitors. However, a focus simply on production and distribution efficiency ignores an important factor — the needs of the customers. Inventors and entrepreneurs often fall victim to the production concept and fail think about the needs of the customers. Developing an innovative product cheaper than the competition is no good unless it satisfies the needs of the customers. There are many examples of companies developing extraordinarily efficient and powerful software packages that have failed because of a lack of user- friendly features.

Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation makes sense in developing countries where consumers are more interested in obtaining the product than in its features, such as China where the largest PC manufacturer, Legend, and domestic appliances giant Haier take advantage of the country's huge inexpensive labor pool to dominate the market. It is also used when a company wants to expand the market.Texas Instruments is a leading exponent of this concept. It concentrates on building production volume and upgrading technology in order to bring costs down, leading to lower prices and expansion of the market. This orientation has also been a key strategy of many Japanese companies.

2. **Product concept :**

Its philosophy that focuses on the features and benefits of the product. While the production concept argues for the focus on production and distribution processes, the product concept assumes that consumers will buy the product with the best quality, performance and features. Ralph Waldo Emerson professed this philosophy when he said, "If a man … makes a better mousetrap … the world will beat a path to his door." Unfortunately, this is not necessarily true. Customers will buy products that they perceive as providing them with the best value. This is not necessarily the same as the product with the most features.

The product concept is different from the production concept as the production concept seeks to win markets and profits via high volume of production and low unit cost, where as the product concept seeks to achieve the same result via product excellence, improved products, new products and ideally designed and engineered products. The firms following this philosophy believe that by making superior products and improving their quality ever time they will be able to attract customer. Product-oriented companies often design their products with little or no customer input, trusting that their engineers can design exceptional products. One General Motors executive said years ago: “How can the public know what kind of car they want until they see what is available?” GM today asks customers what they value in a car and includes marketing people in the very beginning stages of design.

The admirer of product concept 3 M company feels that the only effective marketing strategy towards off competition is to kill one’s own products and make them redundant. The philosophy is followed by companies that are technology-driven. But a simple love-affair with the product, without adapting to the market situation, would fail to appreciate that the market for the product might be less receptive of the new products that are with high price tags for easily available or customer does not know about them. This might lead to ‘marketing myopia’ because the focus is on the ‘product’ rather than on the ‘customer’s. This means that the new product development or improvement of the product is desirable if the customer is receptive. Marketing myopia leads to a wrong or inadequate understanding of the market and hence results in failure at the market place. It even leads to a wrong and inadequate understanding of the very nature of the business in which the organization in engaged.

The organization fails to see the impact of a changing environment on its future. It loses sight of underlying customer needs by only focusing on existing wants. The product focus was apparent when the railroads went into decline, according to Levitt “because they assumed themselves to be in the railroad business rather than the transportation business.” This resulted in their completely overlooking the threats posed by alternative forms of transportation. A product, according to Levitt, is not a thing but a complex cluster of satisfactions.

3. The Selling Concept :

The **selling concept** is used when companies find themselves with an overabundance of products that they have to sell in order to shorter their inventories. Followers of the selling concept believe that consumers will not buy their products unless they undertake a large-scale selling and promotion effort. Their aim is to sell what they make rather than make what will sell in the market. This concept is typically practiced with unsought products, those that consumers don’t ordinarily think of buying such as funeral, insurance. The danger, however, is that the focus on “making the sale” overshadows the focus on building long-term relationships with customers. Once a customer buys the product, this philosophy assumes that he or she will be satisfied with the product or will simply forget about any disappointment or dissatisfaction after purchasing an unsatisfactory product. The selling concept is also practiced in college admissions, offices and political parties. A political party sells its candidate to voters. Most firms practice the selling concept when they have over-capacity. Their aim is to sell what they make rather than make what the market wants. Contrary to the product concept, the selling concept implies that consumer himself will not purchase the product until and unless he is approached. This concept is based on push approach of marketing. This concept maintain that the company has to aggressively promote and push its products, it cannot expect its products to get picked up automatically by the customers. The concept adoption comes when there is aggressive selling and promotional efforts. The consideration of this philosophy is customer buying inertia and resistance. The assumption that customer, if left alone would not buy enough of the company’s product is mostly found for unsought goods like surgery insurance, videophone etc. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. In modern industrial economies, productive capacity has been built up to a point where most markets are buyer markets (the buyers are dominant) and sellers have for customers. Prospects are bombarded with sales messages. As a result, the public often identifies marketing with hard selling and advertising. But marketing based on hard selling carries high risks. It assumes that customers who are coaxed into buying a product will like it; and if they don't, that they won't bad-mouth it or complain to consumer organizations and will forget their disappointment and buy it again. These are indefensible assumptions. In fact, one study showed that dissatisfied customers may bad-mouth the product to 10 or more acquaintances; bad news travels faster and together something marketers that use hard selling should bear in mind.

Some important aspects of selling are :

(1) It enhances the customers confidence in the seller.

(2) It provides a human touch to business transaction.

(3) It provides prospective customers with a better understanding of the product and an interactive opportunity to liaise with sales persons.

Heavy advertising, high-power personal selling, large-scale sales promotion, heavy price discounts and strong publicity, public relations are the normal tools used by organizations that rely on this concept. The selling concept too suffers from marketing myopia, just as the production and product concept do. Companies practicing the sales concept assume that selling is synonymous with marketing. In reality there is a great deal of difference between selling and marketing.

Before we move further let us analyze the difference between selling and marketing.

	Selling	**Marketing**
1.	The main emphasis is on the product.	The main emphasis is on customer's wants.
2.	It starts with the seller and is preoccupied all time with the needs of the seller.	It starts with the buyer and focuses constantly on the needs of the buyers.
3.	In it, company first makes the product and the figures out how to sell it.	In it, company first determine customers wants and then figures out how to design and deliver a product to satisfy those wants.
4.	In this management is sales – volume – oriented.	In this management is profit cum customer satisfaction – oriented.
5.	Here cost determines the price.	In it, customer determines the price.
6.	In it emphasis is on somehow selling and there is no coordination among the different function of the total marketing tasks.	Here emphasis is placed on integrated marketing and all marketing task are coordinated and integrated

Difference between selling and marketing concepts in a flow chart :

Saling Concept :

Produce what manufacturer feels appropriate

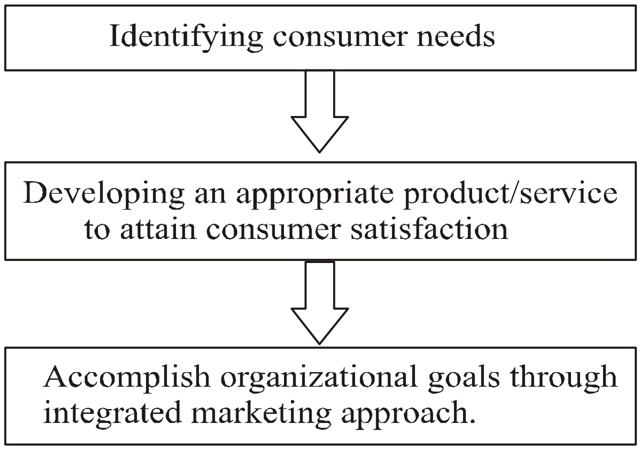
↓

Seller's emphasis is only on higher sales volume

↓

Consumption
(by end user)

Marketing Concept :



4. The Marketing Concept :

The foregoing discussions on the difference between selling and marketing lead us to the marketing concept. The marketing concept emerged in the mid-1950s. Instead of a product-centered, "make-and-sell" philosophy, business shifted to a customer-centered, "sense-and-respond" philosophy. Instead of "hunting," marketing is "gardening." The job is not to find the right customers for your products, but the right products for your customers. The marketing concept holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets. The marketing concept was born out of the awareness that a business should start with the determination of consumers wants and end with the satisfaction of those wants. The concept puts the consumer at both the beginning and the end of the business cycle.

The marketing concept emphasizes the determination of the requirements of potential customers and supplying products to satisfy their requirements. Marketing should be viewed as an integrated process of identification, assessment and satisfaction of human wants. According to W.J. Stanton, "In the fullest sense, the marketing concept is a philosophy of business which states that the customers want satisfaction is the economic and social justification for a firm's existence. He further writes that "this concept emphasizes customer – orientation and coordination of marketing activities to achieve the organizations performance objectives.

According to Kotler "the marketing concept is customer – oriented backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals". Kotler says that the marketing concept rests on four pillors : target market, customer needs, integrated marketing and profitability. A. Felton defines the marketing concept as a philosophy applied to the operation of a business in which customer and customer needs will be uppermost in importance. On the basis of above definition it may be said that the marketing concept is a new philosophy which focuses on customer – oriented marketing instead of a product – centered or 'make-and-sell' philosophy.

As Drucker says, the essence here is that the entire business has to be seen from the point of view of the customer. In a company practicing this concept, all departments will recognize that their actions have a profound impart on the company's ability to create and retain a customer. The marketing concept rests on four pillars: target market, customer needs, integrated marketing, and profitability. The selling concept takes an inside-out perspective. It starts with the factory, focuses on existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside-in perspective. It starts with a well-defined market, focuses on customer needs, coordinates activities that affect customers, and produces profits by satisfying customers.

Target Market :

Companies do best when they choose their target market(s) carefully and prepare tailored marketing programs. For example, when cosmetics giant Estee Lauder recognized the increased buying power of minority groups, its Prescriptive subsidiary launched an “All Skins” line offering 115 foundation shades for different skin tones. Prescriptive credits All Skins for a 45 percent sales increase since this product line was launched.

Customer Needs :

A company can carefully define its target market and yet fail to correctly understand the customers’ needs. Clearly, understanding customer needs and wants is not always simple.

Some customers have needs of which they are not fully conscious; some cannot matriculate these needs or use words that require some interpretation. We can distinguish among five types of needs: (1) stated needs, (2) real needs, (3) unstated needs, (4) delight needs, and (5) secret needs.

Integrated Marketing :

When all of the company’s departments work together to serve the customers’ interests, they result in integrated marketing. Integrated marketing takes place on two levels. First, the various marketing functions—sales force, advertising, customer service, product management, marketing research—must work together. All of these functions must be coordinated from the customer’s point of view.

Second, marketing must be embraced by the other departments. Xerox, for example, goes so far as to include in every job description an explanation of how each job affects the customer. Xerox factory managers know that visits to the factory can help sell a potential customer if the factory is clean and efficient. Xerox accountants know that customer attitudes are affected by Xerox’s billing accuracy.

To foster teamwork among all departments, the company must carry out internal marketing as well as external marketing. External marketing is marketing directed at people outside the company. Internal marketing is the task of hiring, training, and motivating and retaining able employees who want to serve customers well. In fact, internal marketing must precede external marketing. It makes no sense to promise excellent service before the company’s staff is ready to provide it.

Profitability

The ultimate purpose of the marketing concept is to help organizations achieve their objectives. In the case of private firms, the major objective is profit; in the case of nonprofit and public organizations, it is surviving and attracting enough funds to perform useful work. Private firms should aim to achieve profits as a consequence of creating superior customer value, by satisfying customer needs better than competitors. For example, Perdue Farms has achieved above-average margins marketing chicken—a commodity if there ever was one! The company has always aimed to control breeding and other factors in order to produce tender-tasting chickens for which discriminating customers will pay more.

The marketing concept is essentially a point of view about business. It enunciates that business is basically a ‘need-satisfying process’ and that businesses must be managed keeping the consumer and his need as the focus. The concept prescribes that all goals of business including profit, must be realized through consumer orientation and generation of consumer satisfaction.

In short the marketing concept represents a shift in orientation.

From production orientation to marketing orientation.

From product orientation to customer orientation.

From supply orientation to demand orientation.

From sales orientation to satisfaction orientation.

From internal orientation to external orientation.

The marketing concept is a consumer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfy organizational goals. The objective of marketing is not on the maximization of profitable sales volume, but profits through the satisfaction of customers.

Marketing concepts is based on three fundamental beliefs which are :

(i) All company planning, policies and operations should be oriented toward the customer.

(ii) Profitable sales volume should be the goal of a firm.

(iii) Marketing activities if a firm should be integrated and co-ordinated.

The components of marketing concept are as under :

(i) Satisfaction of Customers : In present time, no producer can ignore the wants and expectations of the customers. The customer is supreme and he determines the products to be produced by the manufacturers. The customer is the focus of the organization. The organization should aim at producing those goods and services which will lead to satisfaction of customers.

(ii) Integrated Marketing : Marketing concept forces business firm to use an integrated approach in this operations. Each should coordinate the activities of production, finance and marketing deportments to satisfy the needs and expectation of customers. Thus, marketing should not be considered merely as a fragmented assortment of marketing function, every department has to contribute for the satisfaction of customers.

(iii) Profitable Sales Volume : Marketing starts with the generation of a product idea and continues until the customers wants are completely satisfied.

5. The Societal Marketing Concept:

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance the conflicting criteria of company profits, consumer want satisfaction, and public interest. Yet a number of companies have achieved notable sales and profit gains by adopting and practicing the societal marketing concept.

The societal marketing concept holds that the organization should determine the needs, wants and interests of target markets. It should then deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer's and the society's well-being. The societal marketing concept is the newest of the five marketing management philosophies. The societalmarketing concept calls upon marketers to build social and ethical considerations into their marketing practices.

This is an extension of the marketing philosophy wherein marketing philosophy is put into action and practice. By implementation of marketing concept to achieve the maximum consumer satisfaction, sometimes the larger social interests are ignored and overlooked by the marketers. e.g. customer prefers Frooti tetrapacks. Tetrapacks are bio non-degradable. They litter the environment with waste materials and create. In the societal marketing, eco-friendly packages are developed. Now eco-friendly products are available. The purpose is to fulfill the social responsibilities of the business and to achieve maximum social welfare. Marketing companies producing bady milk powder, advertise that mother's milk is the best milk. The social responsibility of marketers demands that they should act as agent of change. They have an obligation towards society to bring about positive changes in social values. The process of marketing should be so used that they may help in social participation and enlightenment. It is aimed at generating customers satisfaction and long-term consumer and public welfare as a key to satisfying organizational goals and responsibilities.

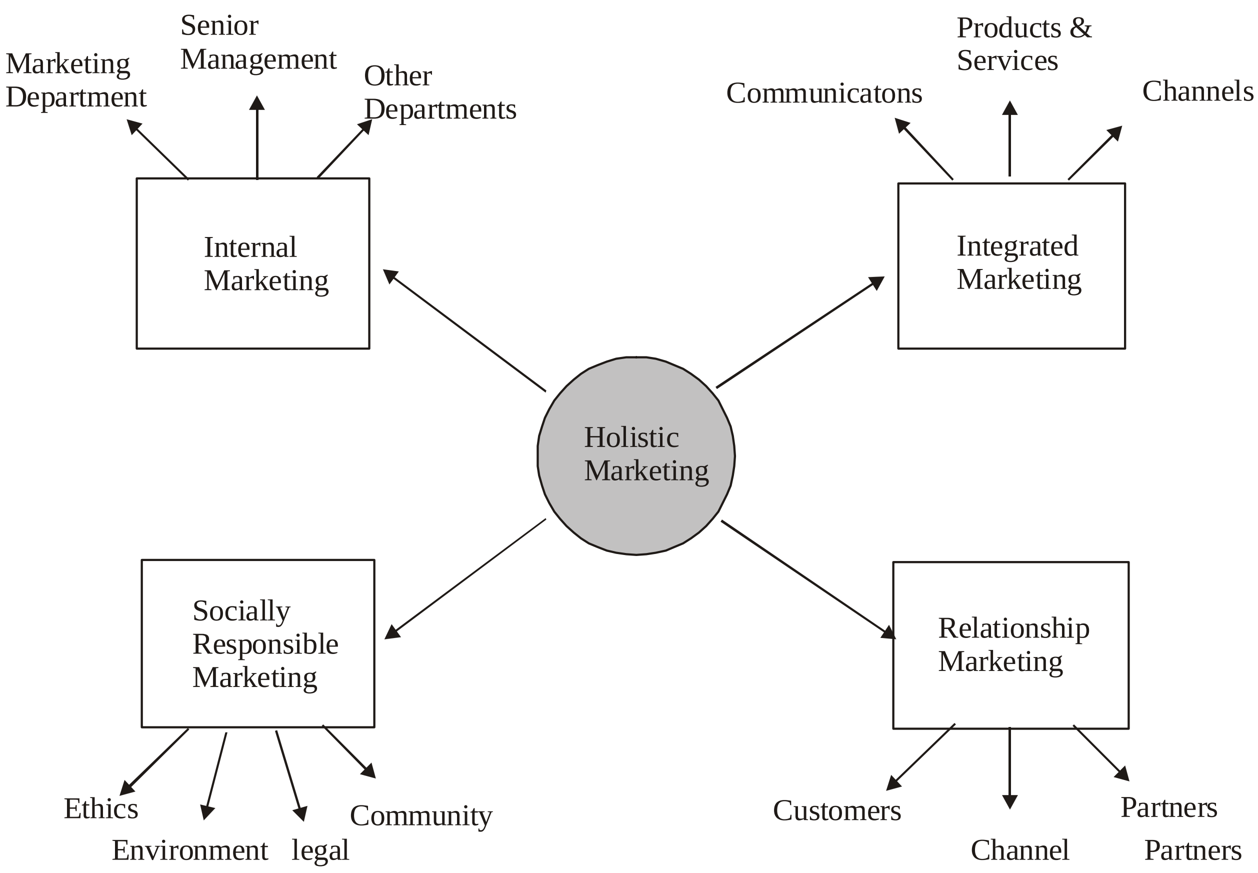
6. The Holistic Marketing Concept :

A whole set of forces that appeared in the last decade call for new marketing and business practices. Companies have new capabilities that can transform the way they have been doing marketing. Companies need fresh thinking about how to operate and compete in a new marketing environment. Marketers in the twenty-first century are increasingly recognizing the need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept.

Increasingly, a key goal of marketing is to develop deep, enduring relationships with all people or organizations that could directly or indirectly affect the success of the firm's marketing activities. Relationship marketing has the aim of building mutually satisfying long-term relationships with key parties—customers, suppliers, distributors, and other marketing partners—in order to earn and retain their business.Relationship marketing builds strong economic, technical, and social ties among the parties. Relationship marketing involves cultivating the right kind of relationships with the right constituent groups.

The **holistic marketing** concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and inter-dependencies. Holistic marketing recognizes that "everything matters" with marketing— and that a broad, integrated perspective is often necessary. Four components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and social responsibility marketing.

Holistic marketing is thus an approach to marketing that attempts to recognize and reconcile the scope and complexities of marketing activities. Figure provides a schematic overview of four broad themes characterizing holistic marketing.



Holistic Marketing Dimensions(Source : Marketing Management by Philip Kotler and Kevin Lane Keller Prentice Hall 12th edition)

2.3 Modern Marketing Philosophy

We are in the age of information where computers can customize and provide reliable quality products. The marketing concept holds that the key to achieving organizational goods consist in determining the needs and wants to target market and delivering the desired satisfactions more effectively and efficiently than competitors :

(1) Relationship Marketing Concept :

According to Philip Kotler "Relationship marketing is the process of building long term trusting, win – win relationship with customer, distributors, dealers and suppliers. Relationship marketing promises and delivers high quality, efficient services and fair prices to the other party over time. It is accomplished by strengthening the economic, technical and social ties, between members of the two organizations or between the markets and the individual customer. To achieve relationship marketing, a marketer has to keep in touch with regular customer, identify most loyal customers, to provide additional service to select customers to provide additional service to select customers, design special recognition and reward schemes and use them for building long-term relationships. 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, retailers, ad agencies, university scientists, and others) with whom it has built mutually profitable business relationships. Increasingly, competition is not between companies but between marketing networks, with the prize going to the company that has built the better network. The operating principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.

(2) Mass Marketing :

Mass marketing is the greatest innovation of the 20th century. Mass marketing techniques are invented to sell the mass produced goods when the industrial revolution took place. Mass produce uniform quality products offered to large number of buyers, allow companies to reap economies of scale.

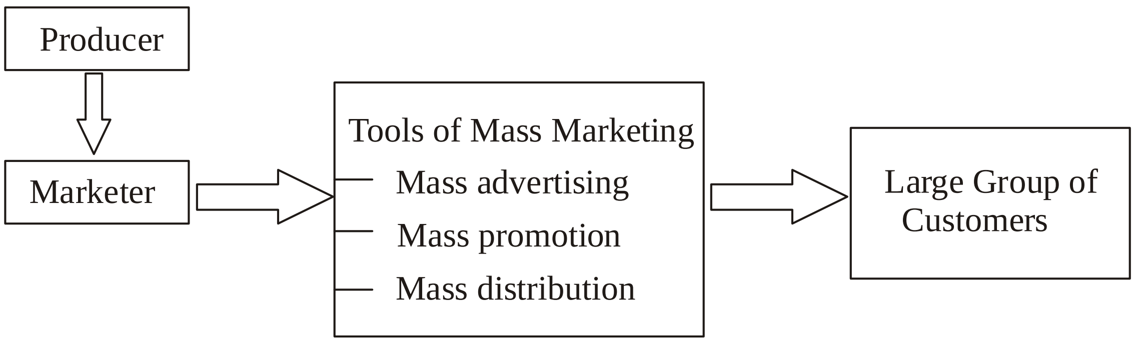


Figure : Flow Chart of Mass Marketing

(3) Morph Marketing :

Chaterjee (1995) puts forth the importance of customer satisfaction and customer delight in the concept of 'Morph' marketing. Morph marketing is transforming products into services, recruiting the core benefits of brands and delivering undreamt of value to the customer. There are six laws of Morph marketing evolued :

(1) The first law : make the service a surrogate for product.

(2) The second law : track and solve customer's problems.

(3) The third law : mould your service through feedback.

(4) The fourth law : create contact points with emotional value.

(5) The fifth law : educate customers about your services.

(6) The sixth law : benefits from the service industry.

(4) Niche Marketing :

Niche marketing is a technique where marketer plays a specialist role in a particular segment. There are several examples of niche marketing. The marketer operates at the low or high quality of the product for eg. Hewlett – Packard specializes in the high-quality high priced. The marketer can offer the services which are not available from other firms. Co-operative bank can provide special type of loans to its members.

The firms new to a market are generally wise to use a niching strategy. In fact many successful entrepreneurs on their beginnings to carrying out a niche that a big enough to be profitable, but small enough to prevent bigger companies from entering immediately to offer competition.

(5) Enlightened Marketing :

A marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system : its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing and societal marketing.

(6) Strategic Marketing :

It is a decision-making process that involves the analysis of internal capabilities and external environments of a firm in order to efficiently and effectively use marketing resources to achieve organizational objectives. In strategic marketing various models and strategies are used for decision-making.

(7) Service Marketing :

It is applying the concepts, tools and techniques of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Services may be financial insurance, transportation, banking, savings, retailing, educational or utilities. There are other innovative marketing techniques are thought to be new as a part of effective marketing strategies :

(a) Concentrated Marketing : A market coverage strategy in which a firm goes after a large share of one or a few sub-markets.

(b) Differential Marketing : A market coverage strategy in which a firm decides to target several market segments and designs separate offer for each. For eg. Hindustan unilever Ltd. has lifebuoy, Lux and Rexona in popular segment and Liril and Pears in premium segment.

(c) Synchromarketing : When the demand for the product is irregular due to season, some parts of the day, or on hour basis, causing idle capacity or over-worked capacities, synchromarketing can be used to find ways to alter the same pattern of demand through flexible pricing promotion and other incentives. For eg. woolens or coolers, or hospital underbooked on weekend or end of week.

(8) Demarketing :

Marketing strategies to reduce demand temporarily or permanently – the aim is not to destroy demand but only to reduce or shift it. This happens when there is overfull demand. For eg. buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holdings. Here demarketing can be applied to regulate demand.

(9) Database Marketing :

It is not a substitute for traditional marketing – it is a way of improving the performance of those activities through the effective use of customer information. Collecting and using data on the customers and markets helps you to gain a better understanding of the market so that it can utilize sales and marketing techniques in a more precise, cost-effective way.

(10) Remarketing :

It is associated with what is known as 'faltering demand' which is invariably found for all kinds of products, services, places, organization etc. In such a situation a further decline in demand for the product is possible, if no remedial action is taken to revitalize the target market.

2.4 Summary

The marketing concept emphasizes the determination of the requirements of present and potential customers and supplying products to satisfy their requirements. Companies can adopt one of five orientations toward the marketplace. The production concept assumes that consumers want widely available, affordable products; the product concept assumes that consumers want products with the most quality, performance, or innovative features; the selling concept assumes that customers will not buy enough products without an aggressive selling and promotion effort; the marketing concept assumes the firm must be better than competitors in creating, delivering, and communicating customer value to its chosen target markets; and the societal marketing concept assumes that the firm must satisfy customers more effectively and efficiently than competitors while still preserving the consumer's and the society's wellbeing. Keeping this concept in mind, smart companies will add "higher order" image attributes to supplement both rational and emotional benefits.

The combination of technology, globalization, and deregulation is influencing customers, brand manufacturers, and store-based retailers in a variety of ways. Responding to the changes and new demands brought on by these forces has caused many companies to make adjustments. In turn, savvy marketers must also alter their marketing activities, tools, and approaches to keep pace with the changes they will face today and tomorrow. Modern marketing is an integrated process of identification, assessment and satisfaction of human wants. The businessmen following consumer orientation regard the creation of customer and satisfaction of wants the justification of business. Determination of wants of the customers takes precedence over production. Thus the emphasis is on selling satisfaction and not merely on selling goods. In essence, marketing concept emphasizes on the following :

(i) Satisfaction of customers needs

(ii) Integrated marketing

(iii) Profitable sales over the long run.

2.5 Key Words

- **Morph Marketing :** It is transforming products into services, recruiting the core benefits of brands and delivering undreamt of value to the consumer.
- **Personal Marketing :** It consists of activities undertaken to create, maintain or change attitudes or behavior toward particular people.
- **Augmented Marketing :** It is provision of additional customer services and benefits built around the core and actual products that relate to introduction of hi-tech services like movies, on demand,

on line computer, repair services, secretarial services etc.

- **Organizational Marketing :** It consists of activities undertaken to create, maintain or change attitudes and behavior of target audiences toward an organization.

2.6 Self Assessment Test

1. Explain modern concept of marketing.

2. Distinguish between marketing and selling.

3. What are the limitations of marketing concept?

4. Explain marketing philosophies explain that have evolved after the advent of modern business system.

5. What is Morph marketing? Explain with examples.

6. State the concept of relationship marketing.

7. Write brief note on augmented marketing.

8. Explain Social marketing.

2.7 Reference Books

1. Marketing by M.J. Etzel, B.J. Walker and W.J. Stanton, Tata Mcgraw Hill, New Delhi.
2. Marketing - A Managerial Introduction by J.C. Gandhi, Tata Mcgraw Hill, New Delhi.
3. Marketing Management by V.S. Ramaswami and S. Namakumari.
4. Principles of Marketing by Kotler and Armstrong, Tata Mcgraw Hill, New Delhi.

Unit-3 : Marketing Environment

Unit Structure

3.0 Objectives

The objectives of this unit are to help you to understand :

- The need for Environmental Analysis
- The types of Environment
- Techniques of Environmental Analysis
- Importance of Environmental Analysis and its vital role in marketing management.

3.1 Introduction

An organization operates within the larger framework of the external environment that offers opportunities and poses threats to the organization. The external environment is a set of complex, rapidly changing and significant interacting institutions and forces that affect the organization's ability to serve its customers. External forces are not controlled by an organization, but they may be influenced or affected by that organization. It is necessary for organizations to understand the environmental conditions because they interact with strategy decisions. The external environment has a major impact on the determination of marketing decisions. Successful organizations scan their external environment so that they can respond profitably to unmet needs and trends in the targeted markets.

A company's marketing environment consists of the factors and forces outside marketing that affect marketing management's ability to develop and maintain successful transactions with its target customers. The marketing environment offers both opportunities and threats. Successful companies know the vital importance of using their marketing research and intelligence systems constantly to watch and adapt to the changing environment.

Most of the successful companies have now realized that marketing presents a never ending series of opportunities and threats. The responsibility for identifying significant changes in the macro-environment falls on company's marketers. The marketing managers major task is that of trend trackers and opportunity seekers. Modern marketers realize that environmental scanning would provide a continuous link between them and their customers. A marketer has to design his marketing strategies based on the current marketing environment. Marketing environment is over changing. The environment can affect the company in dramatic ways. The company can have the best technologies, the best employees and the best of suppliers but it can fail miserably if any of the factors like exchange rate, policies of the host government or changing needs of customers, start to act against it. Similary, a mediocre company can be spectacularly successful if the factors in the external environment start favoring its strategies and policies. It is imperative that companies keep a close watch at the environmental factors that may affect them and prepare themselves adequately to face the emerging challenges.

3.2 Need for Environmental Analysis

Environmental analysis attempts to give an extensive insight regarding the current market conditions as well as important once of external factors that are uncontrollable by the marketers. These variables play an important role in convincing potential customers regarding changes in market trends, market conditions etc.

Environmental analysis is done to achieve following objectives :

(1) To know where the environment to heading, to observe and size up the relevant events and trends in the environment.

(2) To discuss which events and trends are favorable from the stand point of the firm and which are unfavorable, to figure out the opportunities and threats hidden in the environmental events and trends.

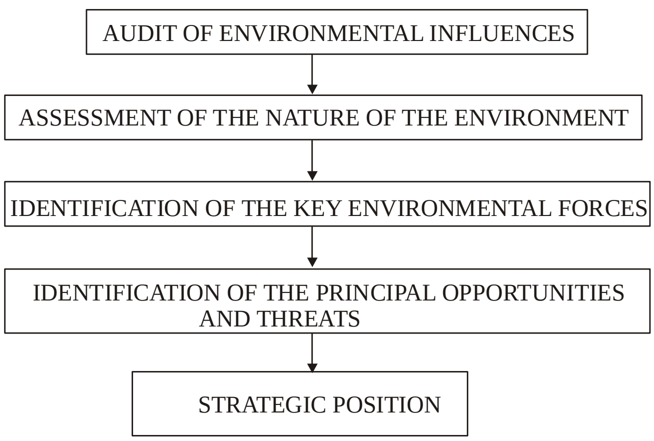
(3) To project how the environment each factor of the environment will be at a future point of time.

(4) To assess the scope of various opportunities and shortlist those that can favorably import the business.

(5) To help secure the right fit between the environment and the business unit which is the cause of marketing, to help the business unit respond with matching product market strategies, to facilitate formulation of a marketing strategy in the right way in line with the trends in the environment and the opportunities emerging therein.

In analyzing the environment, Johnson and Scholes suggested five stages of environmental analysis which are as given below :

FIVE STAGES OF ENVIRONMENTAL ANALYSIS



3.3 Nature of the Marketing Environment

The marketing environment has been defined in a variety of ways. According to Philip Kotler "the external factors and forces that affect a firms ability to develop and maintain successful transactions and relationships with the target customers is termed as marketing environment. Marketing companies operate in number of countries and every country has its own marketing environment. Therefore, marketing companies have to understand and manage these difference through country specific strategies for success. Thus marketing environment includes all forces that affect marketing policies, decisions and operations of a company.

Market environment scanning is a continuous process of gathering information regarding company's internal and external environment, analyzing it, forecasting its trend and impact on the operations and performance of the company. On the basis of environment scanning company may design appropriate strategies to cope itself effectively with changes taking place in the marketing scenario.

Some of the important factors and influences operating in the market environment are as follows :

(1) Customers and client factors such as the needs, preferences, perceptions, attitude, values, bargaining power, buying behavior, and satisfaction of customers.

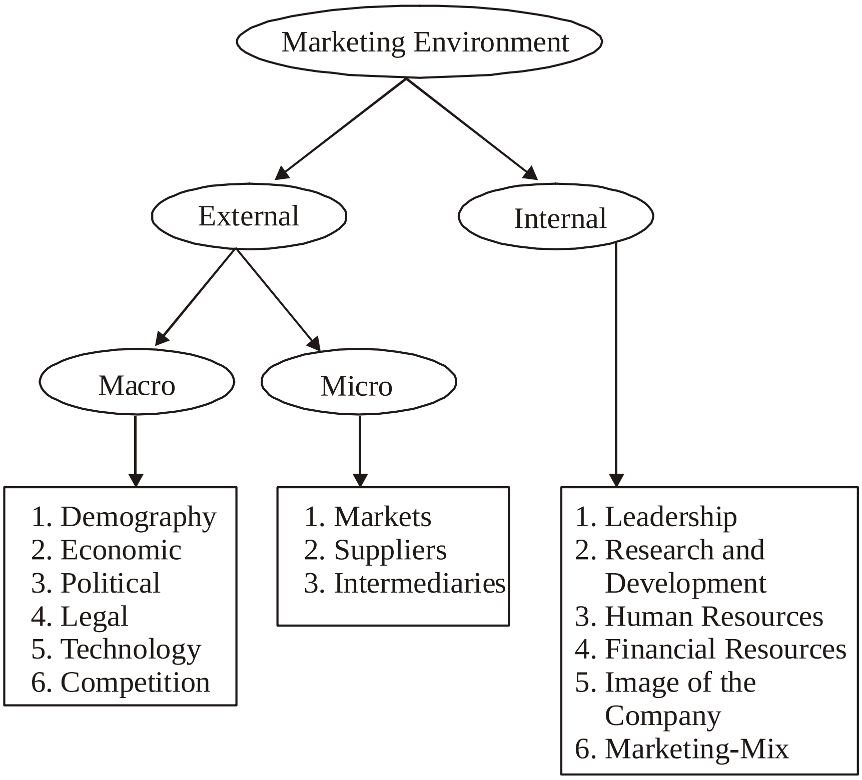
(2) Product factors such as the demand, features utility, functions, design, image, life cycle, price, promotion, distribution etc.

(3) Marketing intermediary factors such as needs, preferences, perceptions, attitudes, levels, and quality of customer service etc.

(4) Companies related factors such as the different types of competition, entry and exit of major competitions nature of competitions and relative strategic position of major competitors.

3.4 Types of Marketing Environment

Broadly marketing environment may be decided into two broad categories- internal and external. Internal marketing environment is manageable by the management of the company, where as every company has to adjust itself with external environment.

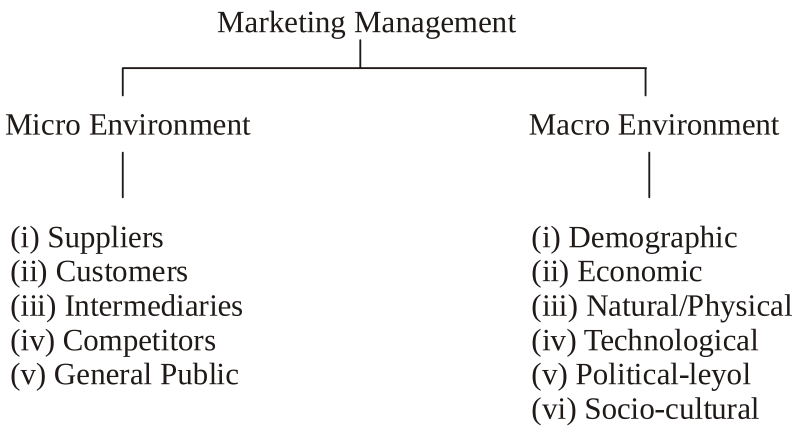


The external forces which constitute uncontrollable environmental include (a) micro factors such as suppliers, customers, intermediaries, competitions and general public (b) macro factors such as demographic, economic, natural/physical, technological political, legal and socio-cultural factors. The internal environment of a firm which is controllable includes product design, packaging pricing, promotion and distribution policies of the firm. As a matter of fact, these forces constitute the marketing-mix of a firm.

3.5 External Marketing Environment

Factors included into external environment as discussed in the Figure may be described as universal factors. These factors are generally uncontrollable by a particular marketing company, but they are not totally uncontrollable. Each and every factor of external environment does not affect every marketing company equally. Some factors may be having greater impact and some may be having marginal impact.

The external environment consists of two levels i.e. macro environment and micro environment. Macro environment consists of demographic, economic, political, legal, socio-cultural, physical, and technological forces, which are uncontrollable. These are all uncontrollable as far as the business is concerned. Micro environment consists of the elements or forces that influence marketing and business directly. It includes suppliers, customers, intermediaries, competitors and the general public.



3.5.1 External Macro Environment

The external macro environment consists of all the outside institutions and forces that have an actual or potential interest or impact on the organization's ability to achieve its objectives: competitive, economic, technological, political, legal, demographic, cultural, and ecosystem. Though non controllable, these forces require a response in order to keep positive actions with the target markets. An organization with an environmental management perspective takes aggressive actions to affect the forces in its marketing environment rather than simply watching and reacting to it. The company and all the other actors operate in a larger macro environment of forces that shape opportunities and pose threats to the company. Figure below shows the six most influential forces in the company's macro environment. External macro environment affects each and every firm equally. External macro environment consists following factors :

(i) Demography :-

Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation, and other statistics. Changes in the demographic environment can result in significant opportunities and threats for an organization. Major trends for marketers in the demographic environment include worldwide explosive population growth; a changing age, ethnic and educational mix; new types of households; and geographical shifts in population.

Demography can be also defined as the long term statistical study of different distributional characteristics of human population regarding specific country or geographical zone. Study of demography includes obtaining data regarding urban – rural distribution, growth rate of population, age group-wise, distribution rate of mortality in different age groups and sex-wise distribution of population. The main demographic force that marketers monitor is *population,* because people make up markets. Marketers are keenly interested in the size and growth rate of population in cities, regions, and nations; age distribution and ethnic mix; educational levels; household patterns; and regional characteristics and movements. Poor countries with small population cannot be attractive destination for marketing companies. China and India are destination for international companies due to vast size of their population. Countries having negative birth rate cannot be attractive for Johnson and Johnson which is the global leader in the area of body-care products.

(ii) Economic factors

The economic environment consists of factors that affect consumer purchasing power and spending patterns. Economic factors include business cycles, inflation, unemployment, interest rates, and income. Changes in major economic variables have a significant impact on the marketplace. For example, income affects consumer spending which affects sales for organizations. Economic factors play vital role in marketing. People alone do not constitute the market; they must have money to spend and willingness to spend it. The economic environment affects the success of a business organization as well as its survival. The economic policy of the government needless to say has a great impact on business some businesses are fairly and some are adversity affected by government policy. The economic environment forces can be studied into three broad categories

(a) General economic condition

(b) Industrial conditions

(c) State of supply of resources for production

(a) General Economic Conditions : General economic conditions in a country are influenced by various factors. The following factors are important

(i) Agriculture trends

(ii) Industrial output trends

(iii) Per capita income trends

(iv) Pattern of income distribution

(v) Pattern of saving and expenditures

(vi) Price levels

(vii) Employment trends

(viii) Impact of government policies

(ix) Economic system.

(b) Industrial Conditions : Economic environment of a country is influenced by the prevalent industrial conditions as well as industrial policies of a country.

A marketer needs to pay attention to the following aspects of the industrial conditions

(i) Market growth of the industry

(ii) Demand pattern of the industry and

(iii) Its stage in product life cycle.

(c) State of Supply of Resources for Production : Supply of resources required for production determines inputs which are available for production. The following are the most important resources required for production :

(i) Land

(ii) Labour

(iii) Capital

(iv) Marketing and Equipment

(v) Managers.

The above-stated environmental forces determine the economic environment of a country. To sum up economic environment describes the overall economic situation in a country and helps in analyzing GDP per capita, rate of economic growth, inflation rate interest rates, unemployment problems etc. Therefore it is necessary to examine carefully the economic environment of the country.

(iii) Political Factors

The political environment consists of factors related to the management of public affairs and their impact on the business of an organization. Political environment has a close relationship with the economic system and the economic policy. Some government specify certain standards for the product including packaging. Some other governments prohibit the marketing of certain products. Political ideologies also affect marketing companies in business. Major political ideologies are capitalism, socialism and democracy. Political closeness also play its role in the business. For near about four decades. India has been important trade partner of U.S.S.R. due to political closeness. In contrast, trade between India and Pakistan has been very limited in spite of geographical closeness, due to political bitterness between the two countries. India in a democratic country having a stable political system where the government plays an active role as a plasma, promoter and regulator of economic activity. Therefore, a marketer has to operate his business in a given political environment and his operations are affected in greater or less degree by government programmes at different levels. Marketing companies are deeply concerned with a country's political stability. Political instability may be major cause of political risk. The agreement between a country's government and a marketing company can be turned down in the case of change of power. Political factors play a major role in shaping the environment in which business organization operate. Thus a business organization has to attempt to study and analyze political environment. Such a study and analysis help in estimating risks, opportunities and threats in valued and then adjusting their decisions and operation to anticipated changes.

The various political factors that a marketer should consider are :

(1) Role of private sector in the economy.

(2) Environment procedures and changes in government policy.

(3) Type of government and stability in government.

(4) Role of small-scale industry in the economy and

(5) Role of service sector in the economy.

(iv) Legal Factors :

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

In the international business, marketing companies should know the legal environment in each of its markets, means country because these locus constitute the "rules of the game". The legal environment of international marketing is more complicated than domestic marketing companies have to stock and judicious balance among the rules set by World Trade Organization (WTO), the legislation of their own country and legislation in the countries, where they are operating.

(v) Technology :

It has tremendous impact on marketing companies, technology significantly influences consumption patterns, life styles company's product-mix and well being of human civilization. The technological environment refers to new technologies, which create new product and market opportunities. Technological developments are the most manageable uncontrollable force faced by marketers. Organizations need to be aware of new technologies in order to turn these advances into opportunities and a competitive edge. Technology has a tremendous effect on life-styles, consumption patterns, and the economy. Advances in technology help start new industries, radically alter or destroy existing industries, and stimulate entirely separate markets. The rapid rate at which technological changes have forced organizations to quickly adapt in terms of how they develop, price, distribute, and promote their products. Technological development such as computers, aeroplanes, television antibiotics, nylon, automobiles, telephones etc. have made vital impact on our lives.

Marketer must constantly monitor changes in technology to keep track of competition and customer wants. The state of technology plays an important role in determining the type and quality of goods and services to be produced and the type of plant and equipment to be used. Technological environmental influence work at the organizations in terms of investment in technology, consistent application of technology and the effects of technology on markets. Therefore, every big organization has to be actively engaged in technological forecasting every new technology is a force for creative distribution. Technological development can affect market in several ways. Firstly it can start entirely new industries, as computers, robots, video games and lasers have done. Secondly, it may radically alter or virtually destroy existing industries, such as manual type writers and V.C.R.. Thirdly it may stimulate markets and industries related to the new technology. Marketing companies should be proactive in developing new technologies for the future to maintain its superiority over its competitors.

(vi) Competition :

Competition has become a powerful force in marketing. Firms have to face three tier competition. Firstly from the other companies of home country. Secondly from the companies where the firm is exporting. Finally from the companies of different countries dealing in the same product or service. Competitive environment has major influence on the marketing operations of a firm. In the present era of globalization, the destiny of marketing companies is greatly affected by global competition. Fierce competition may be faced effectively by making alliances with suitable partners, even with past competitive enemy mergers and takeovers may be another way for gaining strength for effective competition. Marketing firms have to face another two types of competition. Firstly brand competition from the other marketing companies decoding in the same product category. Secondly competition from substitute products.

(vii) Social Factors :

Marketing companies have to take close look of happenings in the social life of their markets to hammer out effective marketing strategies. Social norms and values are dynamic. Every ten or twenty years, there is some shift in social values and every society has its own norms. The social environment of a nation determines the value system of the society which in turn affects the marketing of products sociological factors such as caste structure, mobility of labor, customs and conventions, cultural heritage, view towards scientific methods, respect for seniority etc. might have for reaching impact on business.

(viii) Cultural Factors :

Cultural forces are the most difficult uncontrollable variables to predict. It is important for marketers to understand and appreciate the cultural values of the environment in which they operate. The cultural environment is made up of forces that affect society's basic values, perceptions, preferences, and behaviors. Cultural factors have their wider implications in marketing due to varied culture from one country to another country even within the country itself. Culture may be termed as the integrated sum of total behavioral traits that are manifest and shared by members of the society. Culture includes number of areas, important areas are language, religion, education-aesthetics, material culture, social organization and political life marketers have to study above areas of culture in their target markets to design effective marketing strategies. Culture differences as also those of language and consumers aspirations may well determine how a campaign should shape up Wintson, a cigarette brand widely sold in Asia is not available in the casinos of Macau, the Portuguese enclose in China as Winston is phonetically similar to not winning in Chinese. Changes in cultural environment affect customer behavior, which affects sales of products. Trends in the cultural environment include individuals changing their views of themselves, others, and the world around them and movement toward self- fulfillment, immediate gratification, and secularism.

3.5.2 External Micro Environment :

The external microenvironment consists of forces that are part of an organization's marketing process but are external to the organization. These microenvironmental forces include the organization's market, its producer-suppliers, and its marketing intermediaries. While these are external, the organization is capable of exerting more influence over these than forces in the macroenvironment.

Different factors of external macro environment is generally uncontrollable by the individual firm, but situation is different with regard to external micro environment. The elements of external micro environment are a part of firms marketing system. Therefore marketing companies can manage them. Various elements of external micro environment are as under :

(i) The Market : A market may be defined as a set of actual and potential costomers. By effective use of market segmentation, the company may select correct target market by careful marketing of its products with the profile of target market. Organizations closely monitor their customer markets in order to adjust to changing tastes and preferences. Each target market has distinct needs, which need to be monitored. It is imperative for an organization to know their customers, how to reach them and when customers' needs change in order to adjust its marketing efforts accordingly. The market is the focal point for all marketing decisions in an organization.

Consumer markets are individuals and households that buy goods and services for personal consumption. **Business markets** buy goods and services for further processing or for use in their production process. **Reseller markets** buy goods and services in order to resell them at a profit. **Government markets** buy goods and services in order to produce public services or transfer them to those that need them. The federal government is the largest buyer in the United States. **International markets** consist of buyers in other countries.

(ii) Suppliers : Those institutions supplying raw materials or fabricated parts to the marketing company are termed as suppliers. By formulating sound policies, the marketing companies can keep smooth supply of raw materials to keep the production system uninterrupted. They are critical to an organization's marketing success and an important link in its value delivery system. Marketers must watch supply availability and monitor price trends of key inputs. If there is a breakdown in the link between the organization and its suppliers, the result will be delays and shortages that can negatively impact the organization's marketing plans. On the other hand, positive and cooperative relationships between the organization and its suppliers can lead to enhanced service and customer satisfaction.

(iii) Intermediaries : They are important part of supply chain of the company. Marketing intermediaries are independent business organizations that directly aid the flow of goods and services from marketing company to customers. The intermediaries between an organization and its markets constitute a channel of distribution. These include middlemen (wholesalers and retailers who buy and resell merchandise). Physical distribution firms help the organization to stock and move products from their points of origin to their destinations. Warehouses store and protect the goods before they move to the next destination. Marketing service agencies help the organization target and promote its products and include marketing research firms, advertising agencies, and media firms. Financial intermediaries help finance transactions and insure against risks and include banks, credit unions, and insurance companies. By forming country specific policies and strategies the marketing company may secure maximum co-operation from intermediaries.

3.6 Internal Marketing Environment

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

(1) Leadership : It may be defined as the ability to influence a group toward the achievement of goals. Effective leaders have a vision and ability to articulate the vision into action. Effective leaders can be created by proper training, by providing conducive environment and assigning them challenging tasks with required autonomy.

(2) Research and Development : Research and development are a key factor for success in marketing. To induct innovative products in the market and to make significant modification in the existing products the companies of developed countries divert generally 3 percent of their turnover to research and development activities.

(3) Human Resources : Management of human resources becomes very challenging for marketing companies due to human resources from diversified culture. Management of the marketing companies can design suitable personal policies and by providing good work culture, may create dedication and motivated human resources, which is the great asset for them.

In the take over of 'Corus' this track record of "Tata Steel" has paid significant role. Trade unions of "Corus" gave their consent for proposed take over on the basis of work culture, harmonious relation between union and management in Tata Steel. By they take over "Tata steel has jumped from 55^{th} global rank to 5^{th} position in the world. Major credit goes to Ratan Tata for this deal.

(4) Financial Resources : Marketing companies have diversified investment and marketing operations in number of areas. This requires effective management of financial resources. Portfolio management becomes crucial in this regard. Management of financial resources is important for different concepts of marketing activities such as providing funds and research and evaluation inclusion of new products, capacity expansion of present product mix, implementation of sales promotion schemes and for advertising campaign.

(5) Image of the Company : It is also the manageable variable of marketing operations. It takes years for marketing company to earn favorable public image regarding its product and services. Image-building requires providing quality products and services at competitive prices, continuous quality improvement, prompt after sales services and giving proper attention to customer relationship marketing.

(6) Marketing – Mix : Marketing company is free to design its marketing-mix. Marketing-mix comprises four Ps normally product, price, place and promotion. Marketing companies have to design specific marketing mix because requirement of advertising, availability of sales force and suitable sales promotion schemes vary in the different segments of customers.

3.7 SWOT Analysis

SWOT analysis is a tool for auditing an organization and its environment. SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors. Opportunities and threats are external factors.

In SWOT, strengths and weaknesses are internal factors.

For example:

A strength could be:

- Specialist marketing expertise.
- A new, innovative product or service.
- Location of your business.
- Quality processes and procedures.
- Any other aspect of business that adds value to your product or service.

A weakness could be:

- Lack of marketing expertise.
- Undifferentiated products or services (i.e. in relation to your competitors).
- Location of your business.
- Poor quality goods or services.
- Damaged reputation.

In *SWOT*, opportunities and threats are external factors:

For example :

An opportunity could be:

- A developing market such as the Internet.
- Mergers, joint ventures or strategic alliances.
- Moving into new market segments that offer improved profits.
- A new international market.
- A market vacated by an ineffective competitor.

A threat could be:

- A new competitor in your home market.
- Price wars with competitors.
- A competitor has a new, innovative product or service.
- Competitors have superior access to channels of distribution.
- Taxation is introduced on your product or service.

3.8 PEST Analysis

It is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning.

The organization's marketing environment is made up of:

1. The internal environment example staff (or internal customers), office technology, wages and finance, etc.
2. The micro-environment example our external customers, agents and distributors, suppliers, our competitors, etc.
3. The macro-environment example Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as **PEST** factors.

Political Factors :-

The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. You must consider issues such as:

1. How stable is the political environment?
2. Will government policy influence laws that regulate or tax your business?
3. What is the government's position on marketing ethics?
4. What is the government's policy on the economy?
5. Does the government have a view on culture and religion?
6. Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others?

Economic Factors :-

Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true when planning for international marketing. You need to look at:

1. Interest rates.

2. The level of inflation Employment level per capita.
3. Long-term prospects for the economy Gross Domestic Product (GDP) per capita, and so on.

Sociocultural Factors :-

The social and cultural influences on business vary from country to country. It is very important that such factors are considered. Factors include:

1. What is the dominant religion?
2. What are attitudes to foreign products and services?
3. Does language impact upon the diffusion of products onto markets?
4. How much time do consumers have for leisure?
5. What are the roles of men and women within society?
6. How long are the population living? Are the older generations wealthy?
7. Do the population have a strong/weak opinion on green issues?

Technological Factors :-

Technology is vital for competitive advantage, and is a major driver of globalization. Consider the following points:

1. Does technology allow for products and services to be made more cheaply and to a better standard of quality?
2. Do the technologies offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones, etc?
3. How is distribution changed by new technologies e.g. books via the Internet, flight tickets, auctions, etc?
4. Does technology offer companies a new way of communicating with consumers e.g. banners, Customer Relationship Management (CRM), etc?

3.9 Five Forces Analysis

Five Forces Analysis helps the marketer to contrast a competitive environment. It has similarities with other tools for environmental audit, such as PEST analysis, but tends to focus on the single, stand alone, business or SBU (Strategic Business Unit) rather than a single product or range of products. For example, Dell would analyse the market for Business Computers i.e. one of its SBUs

Five forces analsysis looks at five key areas namely the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry.

The threat of entry :-

- Economies of scale eg. the benefits associated with bulk purchasing.
- The high or low cost of entry example how much will it cost for the latest technology?
- Ease of access to distribution channels example Do our competitors have the distribution channels sewn up?
- Cost advantages not related to the size of the company example personal contacts or knowledge

that larger companies do not own or learning curve effects.

- Will competitors retaliate?
- Government action e.g. will new laws be introduced that will weaken our competitive position?
- How important is differentiation? example the Champagne brand cannot be copied. This desensitises the influence of the environment.

The power of buyers :-

- This is high where there a few, large players in a market example the large grocery chains.
- If there are a large number of undifferentiated, small suppliers example small farming businesses supplying the large grocery chains.
- The cost of switching between suppliers is low example from one fleet supplier of trucks to another.

The power of suppliers :-

The power of suppliers tends to be a reversal of the power of buyers.

- Where the switching costs are high example Switching from one software supplier to another.
- Power is high where the brand is powerful example Cadillac, Pizza Hut, Microsoft.
- There is a possibility of the supplier integrating forward example Brewers buying bars.
- Customers are fragmented (not in clusters) so that they have little bargaining power example Gas/ Petrol stations in remote places.

The threat of substitutes :-

- Where there is product-for-product substitution example email for fax. Where there is substitution of need eg. better toothpaste reduces the need for dentists.
- Where there is generic substitution (competing for the currency in your pocket) example Video suppliers compete with travel companies.
- We could always do without example cigarettes.

Competitive Rivalry :-

- This is most likely to be high where entry is likely; there is the threat of substitute products, and suppliers and buyers in the market attempt to control. This is why it is always seen in the center of the diagram.

3.10 Importance of Environmental Analysis

The marketing manager needs to be dynamic to effectively deal with the challenges of environment. The environment of business is not static. It is changing with fast speed. The following benefits of environment scanning can be discussed :

(1) It guides with greater effectiveness in matters relating to government.

(2) It helps in marketing analysis.

(3) It creates an increased general awareness of environmental changes on the part of management.

(4) It suggests improvement in diversification and resource allocations

(5) It provides a base of objective qualitative information about the business that can subsequently be of value in designing the strategies.

(6) It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.

(7) It provides a continuing broad-based education for executives in general and the strategies in particular.

The environmental conditions faced by an organization are capable of varying greatly in their complexity and need to be reflected both in the warp in which environment analysis is conducted and in the ways in which strategy is subsequently developed. It is widely recognized that the pace of environmental changes in increasing and this requires the organization to develop a structured approach to environmental analysis with the results than being fed into the marketing planning process in a greater degree than ever before.

3.11 Summary

The environment of the modern business is not stable, it is changing at a fast speed. Coping with the changes in the environment requires a good deal of managerial expertise and imagination. Modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in. Based on this marketer evolve marketing strategies to essence effective and efficient goal achievement. Marketing environment includes all forces that affect marketing policies, decisions and operations of a company. Some forces may be both external and internal. The marketing environment is majority divided into the types macro and micro environment. Macro environment includes demography, economic, political, legal, technology and confection. Micro environment includes market, suppliers and intermediaries

3.12 Key Words

- **Marketing Environment :** Marketing environment refers to external factors and forces, outside marketing that affect a company's ability to develop and maintain successful transaction and relationships with its target customers.
- **Micro Environment :** It involves suppliers, customers, intermediaries, competitors and general public, the business firm has direct interaction with these forces and is greatly influenced by these in its decision-making.
- **Macro Environment :** It consists of demographic, economic, polico-legal, socio-cultural, physical and technological forces which influence marketing policies and operation.

3.13 Self Assessment Test

1. Discuss the nature and kinds of marketing environment.
2. Why is it necessary to scan marketing environment? Explain.
3. Explain with examples, the macro environmental factors that affects the marketing system of a modern organization.
4. "The Indian market is gradually becoming consumer-oriented". Discuss the statement with references to the impact of marketing environment.
5. Explain the following :

   (a) Socio-cultural environment

   (b) Marketing environment

(c) External macro factors

(d) External micro factors.

6. What do you mean by internal environment? Discuss its impact on a firm's marketing decision.
7. What are the various factors that influence marketing efforts of an organization? Explain
8. What is PEST method of environmental scanning? Discuss.
9. "Marketer has to be more aware of changes in the external environment then any other department in the organization." Do you agree? Elucidate.
10. Write an essay on marketing environment?

3.14 Reference Books

1. Marketing by M.J. Etzel, B.J. Walker and W.J. Stanton, Tata Mcgraw Hill, New Delhi.
2. Marketing - A Managerial Introduction by J.C. Gandhi, Tata Mcgraw Hill, New Delhi.
3. Marketing Management by V.S. Ramaswami and S. Namakumari.
4. Principles of Marketing by Kotler and Armstrong, Tata Mcgraw Hill, New Delhi.

Unit - 4 : Marketing Mix

Unit Structure

4.0 Objectives

After studying this unit you should be able to understand

- The concept of marketing mix
- The objectives and importance of marketing mix
- 4 P's of marketing and their relevance to a marketer
- Marketing mix as a tool for marketing
- Marketing Mix elements for service marketing

4.1 Introduction

Marketing is mainly concerned with creating and delivering customer value. To create and deliver value to the customer the marketer needs a medium through which the needs and wants of the customers are satisfied. James Culliton, one or the marketing experts coined a term "marketing mix" with a view that a marketing manager is a person who is a "mixer of ingredients", one who constantly engaged in fashioning creatively a mix of marketing procedures and policies in his efforts to produce a profitable enterprise. After Culliton it was Niel who popularized this term marketing mix. In the coming years one of the noted Americam professor of marketing Jerome McCarthy described marketing mix in terms of four P's.

- Product
- Prices
- Place
- Promotion

Over the years the four P's of marketing are synonymous with marketing mix. One problem in many organizations is that different divisions may be responsible for different elements of the marketing mix. This happens even in well managed organizations. The result is that the offering is confusing to the target market. Lack of communication among divisions makes this problem worse. And if they don't share the same view of organizational objectives, the problem is worse still.

4.2 Goods Marketing Mix

Products can be classified into goods and services. The four P's of marketing describes a mix of ingredients for goods marketing.

4.2.1 Product :

The product, service, or program includes both tangible and intangible elements. The tangible, of course, are those things that the customer can see, touch, feel, taste, or smell. The intangible include such things as the image of the offering ... which includes the image of the organization making the offering, the psychological aspects of pricing (high price to many customers is equated with high quality - and vice versa).

The first decision to be taken by the marketer is what is to be produced to satisfy the needs and wants of a customer? The answer to this basic question includes a judgment for product features, design, quality, aesthetics, style etc. It also includes deciding on the packaging, size, colour and other product related aspects required to attract the customers.

The marketing mix should be viewed as an integrated and coordinated package of benefits that reflect the characteristics of customers and various targeted publics and satisfy their needs, wants, and expectations. Note that the elements of the marketing mix should be integrated because each element of the mix usually has some impact, direct or indirect, on the other three. For example, if you improve the product or service you probably have to change the price because it many cost more to produce. Although you may not have to change where the product is delivered to the customer, you will almost certainly have to change the promotion or communication with the customer because you need to tell the customer about the changes you have made in the product.

Deciding what to produce is an important decision for the company. The marketer has look for the needs and wants of the customers. For e.g. Dove (a bathing soap by HUL) focus on selling the need for a moisturizer soap for the skin conscious customers. All–out the first liquid mosquito repellant was a product designed to satisfy the needs of customers those who wanted to get rid of the smoke of coils and smell of mats. Veet came with a hair removing solution, easy to use at home for the females those who cannot afford moving to parlours for frequent waxing.

4.2.2 Price :

The price is what the customer pays. It includes direct and indirect costs as well as opportunity costs. The benefits of the product have to be great enough to warrant the price. Price includes all costs associated with the product, service, or program. The price of a product helps in creating a market segment and targeting the customers. The price creates a perception about the product and is also used as a differentiating strategy by some of the companies.

Most of the customers are very price conscious. If a product is priced too high then it looses its market segment and if it is priced less then either the company has to sacrifice the bottom line or the brand looses its image. For example Olay cream by P&G is priced for the premium market segment. Ariel washing powder by P&G is targeting the high income groups and Tide again a product of P&G is a product priced for the lower and middle income groups.

4.2.3 Place :

The place is where the customer receives the product, service, or program. The place of delivery, including all of its resources, is part of what the consumer buys. A place that meets his or her needs better may be worth more. The place may be a retail outlet, a visitor center in the park, or an interpretive exhibit along a trail. In setting its strategy, the organization must determine how much the target market is willing to pay for atmosphere and physical resources of place. For example Dell tried to enter the Indian market through online sales. Dettol was made available on the grocery stores apart from the chemist stores to shun its medicated image.

4.2.4 Promotion :

Promotion includes all forms of communication you use to communicate the benefits of your offering to the target market(s). The objective is to inform and persuade the customer in such a way that he or she recognizes that your offering is uniquely qualified to meet his or her needs. The term promotion mix is commonly used to refer to different types of communication that are available: advertising, public relations, personal selling, publicity, and sales promotion. Some authors include direct marketing. Various offers by the companies like buy one get one free or 25% extra in same price are a part of sales promotion strategies by the companies. For example Sunsilk shampoo is offering a scheme of buy one and get one free to motivate the customers and increase its sales.

4.3 Service Marketing Mix

In case of services the marketing mix gets extended. In addition to product, price, place and promotion there are three other P's which are an essential ingredient for service marketing.

- People
- Processes
- Physical Evidence

4.3.1 People :

Services are intangible in nature. They cannot be seen, stored or touched. Thus to market services it's important to have the right set of people who delivers those services. The waiter at the restaurant is as important as the food ordered. The way the food was served makes a difference to the overall impact of the restaurant. For example when we go to a HDFC Bank, apart form the services rendered by the bank, the people who deliver the services, their behaviour, way of interaction etc. also matter a lot to us. The overall experience we carry from the bank depends on the way we were treated by the bank personnel.

4.3.2 Processe:

The quality of products can be measured with the help of standards set for the product in terms of size, shape, smell, taste etc. but in case of service setting objective standards are not possible. The quality of service also varies even when the same person is delivering the service to different customers. The service can be created and delivered using different processes. The process used has its bearing on quality and time taken moreover, in same processes standardization is easy to achieve, where as in other processes standardizations is difficult to achieve. When a person goes to the barber shop the same barber cannot provide the same level of satisfaction with the hair cut. The way services are delivered thus is a crucial issue for the marketer. For example In *Mc Donalds* there is a self service process and thus avoids delay and confusion in order.

4.3.3 Physical Evidence:

The intangibility of services acts as a major hindrance in marketing of services. In case of phiysical products the marketer can show the features of the product to the customers, even the customer can compare and analyse the product. The services, due to their intangibility, each pre-purchase evaluation. To create a lasting impact and recall of services, the marketers has to develop physical evidences for services. The logo of a restaurant printed on the cutlery, paper napkins, table cloth etc. of a restaurant is to create the physical evidence for the visitors there so that they can recall and carry an image of the services for future references. For example *Taj Group of Hotels* tries to create a physical evidence by having printed cutlery, napkins, pens and writing pads, soap, bed sheet, etc. so as to create a memory for their brand for the customers.

4.4 Importance of Marketing Mix

Marketing mix is an irreplaceable tool in the hands of a marketer to design a strategy for the company. The marketing mix model can be used to help you decide how to take a new offer to market. It can also be used to test your existing marketing strategy. Whether you are considering a new or existing offer, follow the steps below help you define and improve your marketing mix.

Start by identifying the product or service that you want to analyze.

Now go through and answer the 4Ps questions – as defined in detail above.

Try asking "why" and "what if" questions too, to challenge your offer. For example, ask why your target audience needs a particular feature. What if you drop your price by 3 %? What if you offer more sizes? Why sell through showrooms rather than wholesalers? What if you improve PR rather than rely on TV advertising?

Once you have a well-defined marketing mix, try "testing" the overall offer from the customer's perspective, by asking customer focused questions:

- Does it meet their needs? (product)
- Will they find it where they shop? (place)
- Will they consider it's priced favorably? (price)
- Will the marketing communications reach them? (promotion)

Keep on asking questions and making changes to your mix until you are satisfied that you have optimized your marketing mix, given the information and facts and figures you have available.

Review you marketing mix regularly, as some elements will need to change as the product or service, and its market, grow, mature and adapt in an ever-changing competitive environment.

4.5 Marketing Mix as a Strategy

Product/Service:

- What does the customer want from the product/service? What needs does it satisfy?
- What features does it have to meet these needs?
- Are there any features you've missed out?
- Are you including costly features that the customer won't actually use?
- How and where will the customer use it?
- What does it look like? How will customers experience it?
- What size(s), color(s), and so on, should it be?
- How is it branded?
- How is it differentiated versus your competitors?
- What is the most it can cost to provide, and still be sold sufficiently and profitably?

Place:

- Where do buyers look for your product or service?
- If they look in a store, what kind? A specialist boutique or in a supermarket, or both? Or online? Or direct, via a catalogue?
- How can you access the right distribution channels?

- Do you need to use a sales force? Or attend trade fairs? Or make online submissions? Or send samples to catalogue companies?
- What do your competitors do, and how can you learn from that and/or differentiate?

Price:

- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive? Will a small decrease in price gain you extra market share? Or will a small increase be indiscernible, and so gain you extra profit margin?
- What discounts should be offered to trade customers, or to other specific segments of your market?
- How will your price compare to that of your competitors?

Promotion:

- Where and when can you get your marketing messages across to your target market?
- Will you reach your audience by advertising in the press, or on TV, or radio, or on billboards? Through PR? On the Internet?
- When is the best time to promote? Is there seasonality in the market? Are there any wider environmental issues that suggest or dictate the timing of your market launch, or the timing of subsequent promotions?
- How do your competitors do their promotions? And how does that influence your choice of promotional activity?

4.6 Summary

Marketing mix signifies the key ingredients of marketing. There are some imperative decisions which lead to the successful marketing of goods and services. In case of goods the marketing mix defines the four P's of marketing viz. product, price, place and promotion. In case of services which are intangible in nature, the marketing mix adds up the importance of people, processes and physical evidence. For designing the overall marketing strategy for a company the marketer needs to define the various P's as relevant for the company. Once the product to be sold is decided then the company looks for the price at which it should be sold and the place (distribution network). The company also advertises the product and gives various offers to boost up the sales figures.

4.7 Key Words

- **Marketing :** The performance of business activities that directs the flow of goods and services from the producer to the consumer.
- **Strategy :** The definite course of action to reach your goals
- **Intangibility :** Something which cannot be seen, touched or has a physical existence.

4.8 Self Assessment Test

1. Define marketing mix. State the importance of designing a marketing mix for a company.
2. Discuss the relevance of seven P's of service marketing with a suitable examples.

3. What do you understand by promotion? Discuss the various elements of promotion.
4. Explain with the help of examples the four P's of marketing-mix.

4.9 Reference Books

1. Marketing by M.J. Etzel, B.J. Walker and W.J. Stanton, Tata Mcgraw Hill, New Delhi.
2. Marketing - A Managerial Introduction by J.C. Gandhi, Tata Mcgraw Hill, New Delhi.
3. Marketing Management by V.S. Ramaswami and S. Namakumari.
4. Principles of Marketing by Kotler and Armstrong, Tata Mcgraw Hill, New Delhi.

Unit - 5 : Market Segmentation, Targeting and Positioning

Unit Structure

5.0 Objectives

After completing this unit you will be able to understand:

- Meaning and definition of segmentation
- Need and process of Segmentation
- The basis of Segmentation
- The criteria for choosing Segmentation
- Targeting strategies
- Meaning and definition of Positioning
- Positioning strategies

5.1 Introduction

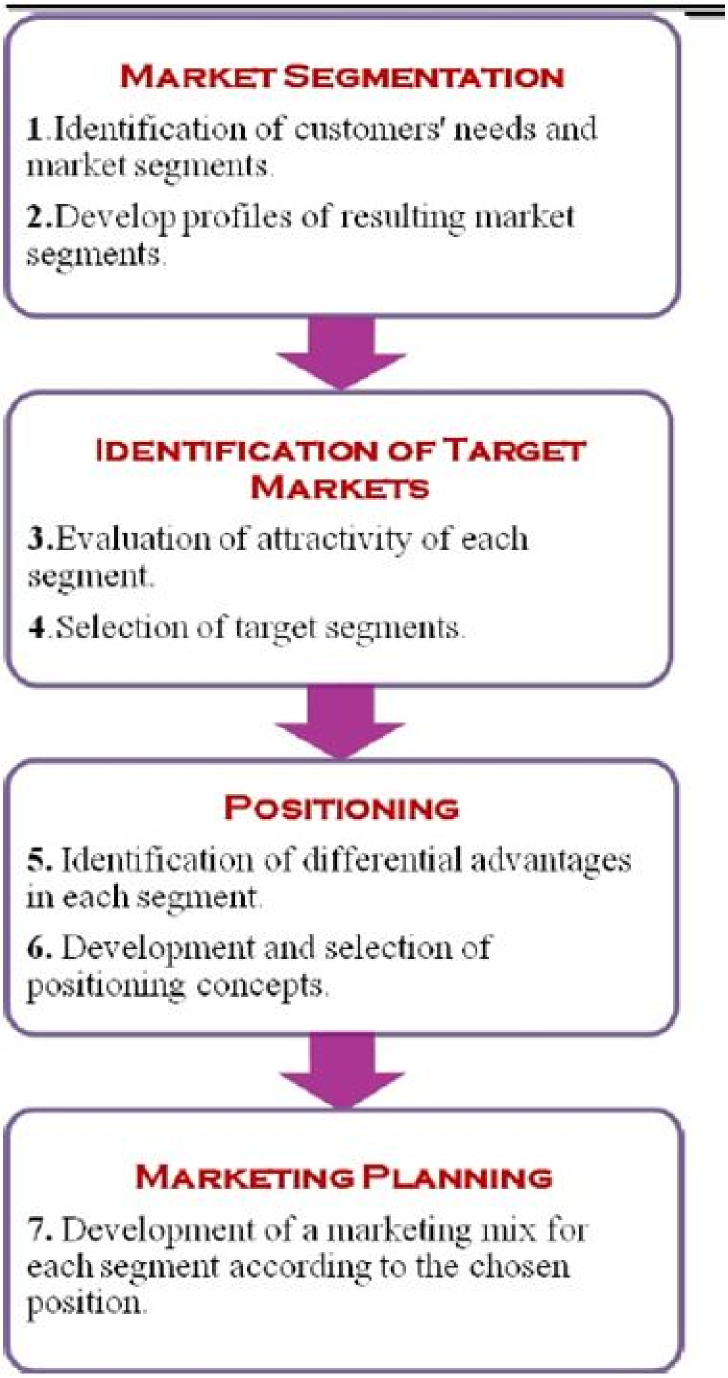
Segmentation, targeting, and positioning together comprise a three stage process. We first (1) determine which kinds of customers exist, then (2) select which ones we are best off trying to serve and, finally, (3) implement our segmentation by optimizing our products/services for that segment and communicating that we have made the choice to distinguish ourselves that way.

Segmentation : Segmentation is the process of grouping people according to similar needs, characteristics, or behaviors.

Targeting : It is the actual selection of the segments you want to serve. The target market is the group of people or organizations whose needs a product is specifically designed to satisfy .

Positioning : Positioning is the use of marketing to enable people to form a mental image of your brand in comparison to the competing brands

Thus, the underlying principle of market segmentation is that the product and services needs of individual customers differ. Market segmentation involves the grouping of customers together with the aim of better satisfying their needs whilst maintaining economies of scale. It consists of three stages and if properly executed should deliver more satisfied customers, few direct confrontations with competitors, and better designed marketing programmers. Positioning follows on logically from the segmentation and targeting stages. Customer perceptions are central to the product position especially in relation to the competition's offering. The product or service has to satisfy key customer requirements and this has to be clearly communicated to customers. A tool that helps marketers understand customer perceptions of their brand is perceptual mapping and a simple seven step approach can be used to develop a clear positioning strategy. However, a number of positioning problems can arise.



5.2 Meaning of Segmentation

An organization cannot satisfy the needs and wants of all consumers. To do so may result in a massive drain of company resources. Segmentation is simply the process of dividing a particular market into sections, which display similar characteristics or behavior. For a consumer product company making toiletries, India is a big market. However, all of the one billion people dont look for the same features and buy for the same reasons. Thus to satisfy the market company will divide the market into various sub units by identify similarities among different group of customers.

There may be a large number of variables that can be used to differentiate consumers of a given product category; yet, in practice, it becomes impossibly cumbersome to work with more than a few at a time. Thus, we need to determine which variables will be *most* useful in distinguishing different groups of consumers. We might thus decide, for example, that the variables that are **most** relevant in separating different kinds of soft drink consumers are (1) preference for taste vs. low calories, (2) preference for cola vs. non-cola taste, (3) price sensitivity—willingness to pay for brand names; and (4) heavy vs. light consumers. We now put these variables together to arrive at various combinations.

Segmentation is the term given to the grouping of customers with similar needs by a number of different variables. Once this has been done, segments can be targeted by a number of targeting strategies. The stage that then follows is known as positioning which is the place that products or services occupy in the marketplace in relation to the competition, as perceived by the target market. There are various definitions given by various authors thus we can define segmentation as:

- A marketing technique that targets a group of customers with specific characteristics.
- "Dividing the heterogeneous market into the homogeneous sub-markets who share similar needs and characteristics.

5.3 Need for Segmentation:

Segmentation forms basis for developing targeted and effective marketing plans. Furthermore, analysis of market segments enables decisions about intensity of marketing activities in particular segments. A segment-orientated marketing approach generally offers a range of advantages for both, businesses and customers as under:

Facilitates proper choice of target marketing:- Segmentation helps the marketers to distinguish one customer group from another within a given market and thereby enables him to decide which segment should form his target market.

Higher Profits: - It is often difficult to increase prices for the whole market. Nevertheless, it is possible to develop premium segments in which customers accept a higher price level. Such segments could be distinguished from the mass market by features like additional services, exclusive points of sale, product variations and the like. A typical segment-based price variation is by region. The generally higher price level in big cities is evidence for this. When differentiating price by segments, organizations have to take care that there is no chance for cannibalization between high-priced products with high margins and budget offers in different segments. This risk is the higher, the less distinguished the segments are.

Facilitates tapping of the market, adapting the offer to the target:- Segmentation also enables the marketer to crystallize the needs of target buyers. It also helps him to generate an accurate prediction of the likely responses from each segment of the target buyer. Moreover, when buyers are handled after careful segmentation, the responses for each segment will be homogeneous. This in turn, will help the marketer develop marketing offer/programmers that most suited to each groups. He can achieve specialization that is required in product, distribution, promotion and pricing for matching the particular customer group and develop offers and appeals for the segmented group.

Stimulating Innovation: - An undifferentiated marketing strategy that targets all customers in the total market necessarily reduces customers' preferences to the smallest common basis. Segmentation provides information about smaller units in the total market that share particular needs. Only the identification of these needs enables a planned development of new or improved products that better meet the wishes of these customer groups. If a product meets and exceeds a customer's expectations by adding superior value, the customers normally is willing to pay a higher price for that product. Thus, profit margins and profitability of the innovating organizations increase.

Makes the marketing effort more efficient and economic: -Segmentation ensures that the marketing effort is concentrated on well defined and carefully chosen segments. After all, the resources of any firm are limited and no firm can normally afford to attack and tap the entire market without any delimitationwhatsoever. It would benefit the firm if the efforts are concentrated on segments that are more profitable and productive ones. Segmentation also helps the marketer assess as to what extent existing offer from competitors match the needs of different customer segments. The marketer can thus identify the relatively less satisfied segments and succeed by concentrating on them and satisfying their needs.

Benefits the customer as well: Segmentation brings benefits not only to the marketer, but to the customer as well. When segmentation attains higher levels of sophistication and perfection, customers and companies can conveniently settle down with each other, as at such a stage, they can safely rely on each other's discrimination. The firm can anticipate the wants of the customers and the customers can anticipate the capabilities of the firm.

Sustainable customer relationships in all phases of customer life :Customers change their preferences and patterns of behavior over time. Organizations that serve different segments along a customer's life cycle can guide their customers from stage to stage by always offering them a special solution for their particular needs. For example, many car manufacturers offer a product range that caters for the needs of all phases of a customer life cycle: first car for early teens, fun-car for young professionals, family car for young families, etc. Skin care cosmetics brands often offer special series for babies, teens, normal skin, and elder skin.

Targeted communication: - It is necessary to communicate in a segment-specific way even if product features and brand identity are identical in all market segments. Such a targeted communications allows to stress those criteria that are most relevant for each particular segment (e.g. price vs. reliability vs. prestige).

Higher market Shares: In contrast to an undifferentiated marketing strategy, segmentation supports the development of niche strategies. Thus marketing activities can be targeted at highly attractive market segments in the beginning. Market leadership in selected segments improves the competitive position of the whole organization in its relationship with suppliers, channel partners and customers. It strengthens the brand and ensures profitability. On that basis, organizations have better chances to increase their market shares in the overall market.

5.4 Market Segmentation Process

There are some specialized theories based upon which markets can be easily segmented into different sections. Companies also derive separate segmentation techniques for every product and brand. Market segmentation process is usually done with the help of past data, on filed surveys and consumer interactions. Volumes of goods supply in every segment is made with the help of economic indexes and average income and demand .

Steps for Market Segmentation Process :

One of the basic objectives of market segmentation is to maximize sales and profits. Hence, the three important objectives of any segmentation process is to gain new customers, sustain the existing consumers and introduce newer products into the market for the existing consumers and there by gain new consumers. The five step process of market segmentation goes as follows.

1. The first step in the market segmentation process is to establish the market and targeted consumers. This process involves tremendous paper work and surveys. Economic and demographic factors are also analyzed in the process. In addition to that this step might also include advertising about the product
2. The second step is often termed as market mapping and involves structuring the entire marketing procedures based upon the need of the said market. Logistics cost, retail and whole sale cost, etc, are some important parameters that are set up during this stage. Another very important factor involved in this step is the targeting of consumers who are also known as decision makers. The remaining three steps are derived on the basis of this step.
3. The third step is entirely dependent upon the consumers as the demand by consumers and their suggestions are largely viewed, surveyed, taken into consideration and in many cases implemented.
4. In this step, the actual segment begins to take shape as like minded consumers having same demands are placed together and are analyzed as a group. Launching of a parallel or a totally new product is viewed in this situation. This segregation is often based upon economic indexes, demographic, geographic situations.
5. The last step is catering to the needs of existing consumers and finding new markets. This step is purely the first step towards a new 5-step-cycle that begins with finding a new market.

5.5 Bases of Segmentation

As we have discussed that **segmentation** involves **finding out** what kinds of consumers with different needs exist. In the auto market, for example, some consumers demand speed and performance, while others are much more concerned about roominess and safety. In general, it holds true that “You can’t be all things to all people,” and experience has demonstrated that firms that specialize in meeting the needs of one group of consumers over another tend to be more profitable. Generically, there are three approaches to marketing.

- **Undifferentiated strategy:** In the **undifferentiated** strategy, all consumers are treated as the same, with firms not making any specific efforts to satisfy particular groups. This may work when the product is a standard one where one competitor really can’t offer much that another one can’t. Usually, this is the case only for commodities.
- **Concentrated strategy:** In the **concentrated strategy**, one firm chooses to focus on one of several segments that exist while leaving other segments to competitors. For example, Southwest Airlines focuses on price sensitive consumers who will forego meals and assigned seating for low prices.
- **Differentiated strategy :** In contrast, most airlines follow the **differentiated** strategy: They offer high priced tickets to those who are inflexible in that they cannot tell in advance when they need to fly and find it impractical to stay over a Saturday. These travelers—usually business travelers—pay high fares but can only fill the planes up partially. The same airlines then sell some of the remaining seats to more price sensitive customers who can buy two weeks in advance and stay over.

- Still here are a number of segmentation variables that allow an organization to divide their market into homogenous groups. These variables will be discussed briefly below

5.5.1 Demographic Segmentation

Demographics originated from the word 'demography' which means a 'study of population'. The population can be divided into age, gender, income, and family lifecycle amongst other variables. Age, Gender, Family size, Family lifecycle, Income, Occupation, Education, Ethnicity, Nationality, Religion, Social class.

- **Age** :As people age, their needs and wants change, some organizations develop specific products aimed at particular age groups for example nappies for babies, toys for children, clothes for teenagers and so on. Titan created a sub brand, Fastrack. These watches are specifically for young, vibrant, and cool outgoing young generation. While for older person and professional it has created the steel series watches and also the famous,Sonata.
- **Gender** :The male market is different from the female market. Hence, gender is used for segmenting the market for different products. For example Gender segmentation is commonly used within the cosmetics, clothing and magazine industry.
- **Income** : Income segmentation is another strategy used by many organizations. Research findings indicate that expenditure on food and other basic amenities as a percentage of total expenditure declines as consumer income increases. Stores like Harrods, Harvey Nicholas are predominantly aimed at the affluent market. Maruti aim their vehicles at price sensitive buyers who require a bundle of benefits for the price. In today's globally competitive environment brands are specifically developed and positioned within particular income segments inorder to maximize turnover.
- **Life cycle** :Products and services are also aimed at different lifecycle segments. Holidays are developed for families, the 18-30's singles, and for those in their 50's.
- **Occupation** : The occupation of the consumer is also an important variable in segmenting the market. whether a person is self employed, works part or full time, positions in the organization also affects the consumer behaviour. Further to identify the basis of consumption , company also needs to identify segments like professional, traders shopkeepers ,businessmen or industrialist, sales person etc.

5.5.2 Geographic Segmentation

Geographical segmentation divides markets into different geographical areas. Marketers use geographic segmentation because consumers in different areas may display certain characteristics and behaviours in that particular region, for example, in London UK certain parts of the West End of London are more affluent then the East End and you will find particular products sold in these regions based on their affluence. An area can be divided by the town, the region or the country. If you are an organisation working on a global scale you may divide by global regions such as Europe, North America, South America, Asia and Africa. Mcdonalds globally, sell burgers aimed at local markets, for example, burgers are made from lamb in India rather then beef because of religious issues. In Mexico more chilli sauce is added.

- Region: by continent, country, state, or even neighborhood
- Size of metropolitan area: segmented according to size of population
- Population density: often classified as urban, suburban, or rural
- Climate: according to weather patterns common to certain geographic regions

5.5.3 Psychographics Segmentation

Although demographic segmentation is useful, marketers can use alternative segmentation variables which aim to develop more accurate profiles of their target segments. Psychographics segmentation can be broken down into lifestyle, social class, and personality characteristics.

- **Lifestyle :** The Oxford English dictionary defines a lifestyle 'as a way of life' and lifestyle segmentation aims to examine the way people live.Our lifestyle, our every days activities, our interest, opinions and beliefs on certain issues dictates who we are. Marketers refer to these as AIO (Activities, Interest and Opinions), and our AIO dictate our everyday behaviour from where we shop to what we buy. Marketers develop and aim products/services at particular lifestyle groups and develop lifestyle profiles on their target market. If we understand the lifestyle of a particular group we can sell them a product/services on the basis that it will enhance their lifestyle. Third agers are another group termed and identified by the marketing industry. They are people in their 50's retired from a profession, and have a high disposable income with time on the hand. Many of these third-agers are adventurous and experimenters, as they have spent their past lives working hard and they seek enjoyment from their remaining years and have the income to spend on luxury items.
- **Personality Characteristics** :Products and brands can also be aimed at particular personalities. Pigaio motorcycles are aimed at young 18-25 outgoing, independent persons. Often marketers try to develop personalities for their brands and products that mimic that of their target market. Ask yourself if Nike or Levi's was a person, what type of person would they be?
- **Social Class :** Social class segmentation works on the assumption that the higher your profession the more you will earn. Thus the more affluent lifestyle you will lead. Marketers use this type of information to sell products and services based on lifestyle behaviour, and your profession does have an impact on the way you behave. Social Class Segmentation Divides society into 6 distinct groups based solely on occupation. A Professional staff, B Middle Management, C1 Junior Management C2 Skilled manual, D Semi-skilled and unskilled workers, E those dependent on the state.

5.5.4 Behavioural Segmentation

Another basis for segmentation is *behavior*. Behaviour segmentation is refers to why people purchase a product or service. Behavioural segmentation can be broken down into the benefit a consumer seeks from purchasing a product. How will the product enhance their overall lifestyle? When purchasing a computer the benefit sought maybe of 'ease of use' to the 'need for speed'.

- **Brand Loyalty:** Some consumers are "brand loyal"-i.e., they tend to stick to their preferred brands even when a competing one is on sale. Some consumers are "heavy" users while others are "light" users. For example, research conducted by the wine industry shows that some 80% of the product is consumed by 20% of the consumers—presumably a rather intoxicated group.
- **Benefits sought**: One can also segment on the basis of benefits sought, essentially bypassing demographic explanatory variables. Some consumers, for example, like scented soap (a segment likely to be attracted to brands such as Irish Spring), while others prefer the "clean" feeling of unscented soap (the "Ivory" segment). Some consumers use toothpaste primarily to promote oral health, while another segment is more interested in breathe freshening.
- **Occasion:** Occasion is another variable. When should a product be purchased? The demand for turkeys increases during Christmas, flowers and chocolates on mother's day and so on. Occasion segmentation aims to increase the *'reason to buy factor'* and thus increase sales.

- **Usage rate**: Divides customers into light, medium and heavy users. Heavy users obviously contribute more to turnover then light or medium users, the objective of an organization should be to attract heavy users who will make a greater contribution to company sales.

5.6 Requirements of Segmentation.

Before an organization can target a specific segment accurately it must ask itself a number of questions. It is important to evaluate the effectiveness of a targeting strategy and the viability of the segment, if this is not done then money will be wasted. The market which is segmented must meet the following criteria:

- **Measurability of segment:** Can you measure the size and growth of the segment. Is the segment growing? India and China are high south coanfries for mobile phones.
- **Accessibility of segment**: Is it easy for you to target and reach your segment? Can they be reached with basic communication tools such as radio and TV advertising? If you cannot target your segment effectively with marketing communication then it is not viable.
- **Suitability of segment:** Is there enough spending power within the segment for the company to sustain itself ?
- **Actionability of segment:** Does the organization have enough resources to reach their segments?. It is no point in targeting segments you do not have the resources to cater to.

5.7 Targeting

In the next step, we decide to target one or more segments. Our choice should generally depend on several factors. First, how well are existing segments served by *other* manufacturers? It will be more difficult to appeal to a segment that is already well served than to one whose needs are not currently being served well. Secondly, how large is the segment, and how can we expect it to grow? (Note that a downside to a large, rapidly growing segment is that it tends to attract competition). Thirdly, do we have strengths as a company that will help us appeal particularly to one group of consumers? Firms may already have an established reputation. While McDonald's has a great reputation for fast, consistent quality, family friendly food, it would be difficult to convince consumers that McDonald's now offers gourmet food. Thus, McD's would probably be better off targeting families in search of consistent quality food in nice, clean restaurants.

Defining a target market requires market segmentation, the process of pulling apart the entire market as a whole and separating it into manageable, disparate units based on demographics. Target market is a **business term** meaning the market segment to which a particular good or service is marketed. It is mainly defined by age, gender, geography, socio-economic grouping, or any other combination of demographics. It is generally studied and mapped by an organization through lists and reports containing demographic information that may have an effect on the marketing of key products or services. Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success.

The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities. **"Market targeting simply means choosing one's target market."** It needs to be clarified at the onset that marketing targeting is not synonymous with market segmentation. **Segmentation is actually the prelude to target market selection**. One has to carry out several tasks beside segmentation before choosing the target market.

Through segmentation, a firm divides the market into many segments. But all these segments need not form its target market. Target market signifies only those segments that it wants to adopt as its market.

In choosing target market, a firm basically carries out an evaluation of the various segments and selects those segments that are most appropriate to it. As we know that the segments must be relevant, accessible, sizable and profitable. The evaluation of the different segments has to be actually based on these criteria and only on the basis of such an evaluation should the target segments be selected.

5.7.1 Factors to be considered while target market selection :

Target marketing tailors a marketing mix for one or more segments identified by market segmentation. Target marketing contrasts with mass marketing, which offers a single product to the entire market. Two important factors to consider when selecting a target market segment are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities.

The following are some examples of aspects that should be considered when evaluating the attractiveness of a market segment:

- Size of the segment (number of customers and/or number of units).
- Growth rate of the segment.
- Competition in the segment.
- Brand loyalty of existing customers in the segment.
- Attainable market share given promotional budget and competitors' expenditures.
- Required market share to break even.
- Expected profit margins in the segment.

5.8 Targeting Strategies

There are several different target-market strategies that may be followed. Targeting strategies usually can be categorized as one of the following:

- **Single-segment strategy -** Also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources.
- **Selective specialization-** This is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary.
- **Product specialization-** The firm specializes in a particular product and tailors it to different market segments.
- **Market specialization:** The firm specializes in serving a particular market segment and offers that segment an array of different products.
- **Full market coverage -** The firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

5.9 Positioning

After the organization has selected its target market, the next stage is to decide how it wants to position itself within that chosen segment. Positioning refers to **'how organizations want their consumers**

to see their brands'. What message about the product or service is the company trying to put across? For example Car manufacturer Daewoo in the UK, has successfully positioned themselves as the family value model. The UK car Skoda brand which has been taken over by Volkswagen has been re-positioned as a vehicle which had negative brand associations, to one which regularly wins car of the year awards. The positive comments from the industry and attributes of this vehicle is has changed the perception of consumers about the Skoda brand.

Thus the positioning is result of differentiation decisions. *It is the act of designing the company's offering and identity (that will create a planned image) so that they occupy a meaningful and distinct competitive position in the target customer's minds.*

There are various definitions given by various authors for positioning some of the, are as follows :

Al Ries and Jack Trout in their bestseller book " Positioning - a battle for your mind". According to them 'Positioning is what you do to the mind of the prospect'. They iterate that any brand is valued by the perception it carries in the prospect or customer's mind. Each brand has thus to be 'Positioned' in a particular class or segment. Example: Mercedes is positioned for luxury segment, Volvo is positioned for safety.

Although there are different definitions of Positioning, probably the most common is:

"A product's position is how potential buyers see the product", and is expressed relative to the position of competitors. Positioning is a platform for the brand. It facilitates the brand to get through to the mind of the target consumer.

Thus we can define positioning as: "Positioning is the process of **identifying** the distinct place in the **mind of** the customer"

We can define positioning as "**Positioning** is the process of **identifying and occupy** in the distinct place in the **mind** of the customer .In this new definition the identifying word has replaced by the identifying & occupy and mind has been replaced by the memory of the customer. The reason is obvious to create and maintain the long term relationship with the customers.

In other words we can say that the end result of positioning is the creation of a market-focused value proposition, a simple clear statement of why the target market should buy the product. Example: Volvo (station wagon) ,Target customer-Safety conscious upscale families, Benefit - Durability and Safety, Price - 20% premium, Value proposition - The safest, most durable wagon in which your family can ride.

Positioning Errors:

1. **Underpositioning:** Market only has a vague idea of the brand**.**
2. **Overpositioning:** Only a narrow group of customers identify with the brand.
3. **Confused positioning:** Buyers have a confused image of the brand as it claims too many benefits or it changes the claim too often.
4. **Doubtful positioning:** Buyers find it difficult to believe the brand's claims in view of the product's features, price, or manufacturer.

5.9.1 Hollmarks of Effective Positioning :

While a company can create many differences, each difference created has a cost as well as consumer benefit. A difference is worth establishing when the benefit exceeds the cost. More generally, a difference is worth establishing to the extent that it satisfies the following criteria.

- **Important:** The difference delivers a highly valued benefit to a sufficient number of buyers.
- **Distinctive:** The difference either isn't offered by others or is offered in a more distinctive way by the company.
- **Superior**: The difference is superior to the ways of obtaining the same benefit.
- **Communicable:** The difference is communicable and visible to the buyers.
- **Preemptive:** The difference cannot be easily copied by competitors.
- **Affordable:** The buyer can afford to pay the higher price
- **Profitable**: The Company will make profit by introducing the difference.

5.10 Positioning Strategies

Positioning is what the customer believes about your product's value, features, and benefits; it is a comparison to the other available alternatives offered by the competition. These beliefs tend to based on customer experiences and evidence, rather than awareness created by advertising or promotion.

Marketers manage product positioning by focusing their marketing activities on a positioning strategy. Pricing, promotion, channels of distribution, and advertising all are geared to maximize the chosenpositioning strategy.

Broadly a product can be positioned based on 2 main platforms: **The Consumer and The Competitor.** When the **positioning** is on the basis of CONSUMER, the campaigns and messages are always targeted to the consumer himself (the user of the product) "Peter England always campaigns their product concentrating on the consumer, the user of its product."

The other kind of **positioning** is on basis of COMPETITION. These campaigns are targeted towards competing with other players in the market. "Dettol television commercials always concentrate on advertisements, which show that this product would give you more protection then the others."

But generally, there are six basic strategies for product positioning:

1. **Positioning by attribute or benefit-** This is the most frequently used positioning strategy. For a light beer, it might be that it tastes great or that it is less filling. For toothpaste, it might be the mint taste or tartar control. For example Consider the example of Ariel that offers a specific benefit of cleaning even the dirtiest of clothes because of the micro cleaning system in the product. Colgate offers benefits of preventing cavity and fresh breath. Promise, Balsara's toothpaste, could break Colgate's stronghold by being the first to claim that it contained clove, which differentiated it from the leader.
2. **Positioning by use or application-** Another way is to communicate a specific image or position for a brand is to associate it with a specific use or application. For example the users of Apple computers can design and use graphics more easily than with Windows or UNIX. Apple positions its computers based on how the computer will be used or we can say that *Surf Excel is positioned as stain remover ' Surf Excel hena!' , Also, Clinic All Clear – "Dare to wear Black"*.
3. **Positioning by user-** Positioning a product by associating it with a particular user or group of users is yet another approach.Motography Motorola Mobile Ad. in this ad the persona of the user of the product is been positioned.Facebook is a social networking site used exclusively by college students. Facebook is too cool for MySpace and serves a smaller, more sophisticated cohort. Only college students may participate with their campus e-mail IDs.
4. **Positioning by product or service class-** Often the competition for a particular product comes

from outside the product class. For example, airlines know that while they compete with other airlines, trains and buses are also viable alternatives. Manufacturers of music CDs must compete with the cassettes industry. The product is positioned against others that, while not exactly the same, provide the same class of benefits. Margarine competes as an alternative to butter. Margarine is positioned as a lower cost and healthier alternative to butter, while butter provides better taste and wholesome ingredients.

5. **Positioning by competitor-** This approach is similar to positioning by product class, although in this case the competition is within the same product category. Onida was positioned against the giants in the television industry through this strategy, ONIDA colour Television was launched with the message that all others were clones and only Onida was the leader. "Neighbour's Envy, Owners Pride". BMW and Mercedes often compare themselves to each other segmenting the market to just the crème de la crème of the automobile market. Ford and Chevy need not apply.

6. **Positioning by price or quality-** Tiffany and Costco both sell diamonds. Tiffany wants us to believe that their diamonds are of the highest quality, while Costco tells us that diamonds are diamonds and that only a chump will pay Tiffany prices.

5.11 Summary

Market segmentation, targeting and positioning is a very important attribute of marketing mix. All these three process is very closely interrelated with each other. Once the organization has decided which customer groups within which market segments to target, it has to determine how to present the product to this target audience. This allows to exactly addressing the needs and expectations of the target groups with a tangible marketing mix that consists of product characteristics, price, promotional activities and places to present the product.

Effective strategies of segmentation, targeting and positioning gives an extra advantage in changing and highly competitive environment. To make this three marketing process effective a thoroughSWOT analysis of the firm is very important. Keeping in mind the strength, weakness, opportunity and threat the firm can formulate and implement its total marketing mix.

5.12 Key Words

- **Segmentation Basis** - the basic dimensions: geographic, demographic, psychographic and behaviouristic - upon which a heterogeneous market can be divided into relatively homogeneous groups.
- **Segmentation Strategies:** specific marketing approaches available to, or taken by, a firm in relation to the market segment or segments it wishes to target; four specific segmentation strategies are available - concentrated segmentation strategy, market segment expansion strategy, product line expansion strategy and differentiated segmentation strategy.
- **Market Segment**: a group or sector within a heterogeneous market consisting of consumers or organisations with relatively homogeneous needs and wants; those within a market who will respond to a given set of marketing stimuli in a particular way.
- **Market Segmentation:** the division of a totally heterogeneous market into groups or sectors with relatively homogeneous needs and wants.
- **Product Positioning Strategy**: marketing decisions and actions intended to create a particular place for a product in the market and in the minds of consumers; a product positioning strategy may attempt to differentiate a marketing offer from a competitor's or to appear similar to it.

5.13 Self Assessment Test

1. What factors does a firm need to examine before deciding to target a market?
2. Which of the segmenting strategies discussed in this section is the broadest? Which is the narrowest?
3. Why might it be advantageous to create low-cost products for developing countries and then sell them in nations such as the United States? Do you see any disadvantages of doing so?
4. LM Ltd plan to launch a wide range of personal computers to cater for the many types of users.
   (a) List the various segmentation variables the company can use to segment their market.
   (b) Briefly explain why you have selected each one.
   (c) Which segments could the company aim for?
   (d) What targeting strategy would you recommend that LM Ltd adopt. Explain your reasons with a help of a diagram(s).
   e) LM Ltd realize that there are many computer organizations offering similar services, but your different! Explain what positioning strategy you would adopt for the company. How can you be seen as different in this already over crowded personal computer market?

5.14 Reference Books

1. Marketing by M.J. Etzel, B.J. Walker and W.J. Stanton, Tata Mcgraw Hill, New Delhi.
2. Marketing - A Managerial Introduction by J.C. Gandhi, Tata Mcgraw Hill, New Delhi.
3. Marketing Management by V.S. Ramaswami and S. Namakumari.
4. Principles of Marketing by Kotler and Armstrong, Tata Mcgraw Hill, New Delhi.

Unit - 6 : Consumer Buying Behaviour

Unit Structure

6.0 Objectives

After studying this unit you should be able to:

- Define consumer behaviour
- Differentiate between a consumer & a customer
- Will be able to identify participants in buying decision process
- Explain the scope of consumer behaviour
- Explain why the study of consumer behaviour is important for us?
- Which are the broad areas of applications of consumer behaviour in the area of marketing & not-for profit organizations?
- Will be able to understand influences on consumer buying behaviour
- Explain the buying decision process
- Understand models on consumer buying decision process& buying of high involvement and low involvement products
- Describe socio-economic classes of India
- Understand major shifts in consumer behaviour
- Receive detailed explanation on 'A New Consumer India', its implications on marketers as well as future and emerging challenges in near future

6.1 Introduction

Consumers have so many choices to make, compared to ten or even twenty years ago. Today as always, business growth depends heavily on loyal customers who return because they are satisfied with the product and/or service they have received. The study of consumers helps firms improve their marketing strategies by understanding how consumers think, feel, reason, and select between different alternatives such as brands, products, and services that are used or bought for use primarily for personal, family, or household purposes. Consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. Behavior occurs either for the individual, or in the context of a group. For example, friends influences us in deciding what kinds of clothes she wears or one finds individuals on the job make decisions as to which products the company should use. It involves services and ideas as well as tangible products. The impact of consumer behavior on society is also of relevance. For example, aggressive marketing of high fat foods, or aggressive marketing of easy credit, may have serious repercussions for the national health and economy. The reason for a business firm to come into being is the existence of a consumer who has unfulfilled needs and wants. To fulfill these consumer needs an organization is set up. An in-depth knowledge of consumers and an understanding of their behaviour are highly essential for survival and growth of the business.

6.2 Meaning, Definition and Nature

Consumer behaviour has been defined as the decision process and physical activity engaged in when evaluating, acquiring, using or disposing of goods and services. This definition raises a few queries in our minds-what or who are consumers? What is the decision process that they engage in? Answers to these questions help define the broad nature of consumer behaviour. According to Ostrow and Smith's Dictionary of marketing, the term consumer behaviour consists of the actions of consumers in the market place and the underlying motives for those actions. Marketers expect that by understanding what causes consumer to buy particular goods and services the marketrs will be able to determine which products are needed in the market place, which are obsolete, and how best to present the goods to the consumers. According to Loudon and Della Bitta it is the decision process and physical activity individuals engage in while evaluating, acquiring, using, or disposing of goods and services. As per the opinion of Schiffman and Kanuk, consumer behaviour refers to how consumer behaves in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. It is the study of how individuals make decisions to spend their available resources-like time, effort, money-on the consumption related items. According to James F. Engel, Roger D Blackwell& Paul Miniard, consumer behaviour refers to the actions and decision process of people, who purchase goods and services for personal consumption. According to Bearden and others, Marketing Principles and perspectives, consumer behaviour is the mental and emotional processes and the physical activities of people who purchase and use goods and services to satisfy particular needs and wants. Satish K Batra &, S H Kazami, have defined consumer behaviour as the mental and emotional processes and the observable behaviour of consumers during searching purchasing and post-consumption of products and services.

6.3 Consumer V/S Customer

A customer is one who actually purchases a product or service from a particular organization or shop. A customer is always defined in terms of a specific product or company. However, the term consumer is a far wider term encompassing not only the actual buyer or customer but also all its users, that is consumers.

There are two situations when this distinction between consumers and customers may occur, first, when the service or product is provided free, and second, when the customer is not the actual user of the product or is only one of the many users. The second situation needs greater elaboration as it is of critical significance for us. Very often, the actual customer making a purchase may not be doing so for himself or herself. For instance, in case of a mother buying a pack of Maggie Noodles for her five-year old daughter, the customer is the mother but the actual user of consumer is his daughter. Another case may be where a father is buying a Music System for the family members. The father is the customer but all the family members are the consumers. The two vital elements to remember in all consumer situations are first, the influence on purchase from other people, and second, the roles taken on by different people in consumer behaviour situations. In the instance of the mother buying Maggie Noodles for her daughter, the latter may not have had influence at all on the purchase; the mother is the decision maker and buyer and the daughter is the user. In case of the father buying a Music System for his family, it is quite likely that the wife and children may have exerted considerable influence on the decision. The father is simply, the buyer, while other family members may be influencers and all, including the father, are users of the Music System. One way of classifying the roles that people can take on in the context of consumers' behaviour is to understand the role various participants play in the buying process that has been outlined in brief as follows.

6.4 Participants in the Buying Process

It mainly consists of following:

Initiator

The initiator is a person who first suggests or thinks of the idea of buying a particular product. She is the person who determines that some need or want is not being met

Influencer

The influencer is a person who explicitly or implicitly has some influence on the final buying decision of other. She intentionally or unintentionally influences the decision to buy the actual purchase and/or use of product or service.

Decider

The decider is a person who ultimately decides any part or whole of the buying decision, that is whether to buy, what to buy, how to buy, when to buy or where to buy.

Buyer

The buyer is a person who actually makes the purchase.

User

The person who actually uses or consumes the product or service.

Activity 1: List out the Durable product purchased by you by assuming your role and also consider another person role in your purchase decision and make an attempt to identify your own contribution and influence of another person in buying decision made by you.

6.5 Scope of Consumer Behaviour

The scope of consumer behaviour includes not only the actual buyer and his act of buying but also the various roles played by different individuals and the influence they exert on the final purchase decision.

The-Figure 01 subdivided into three parts of the decision process provides a brief sketch of the scope of consumer behaviour.

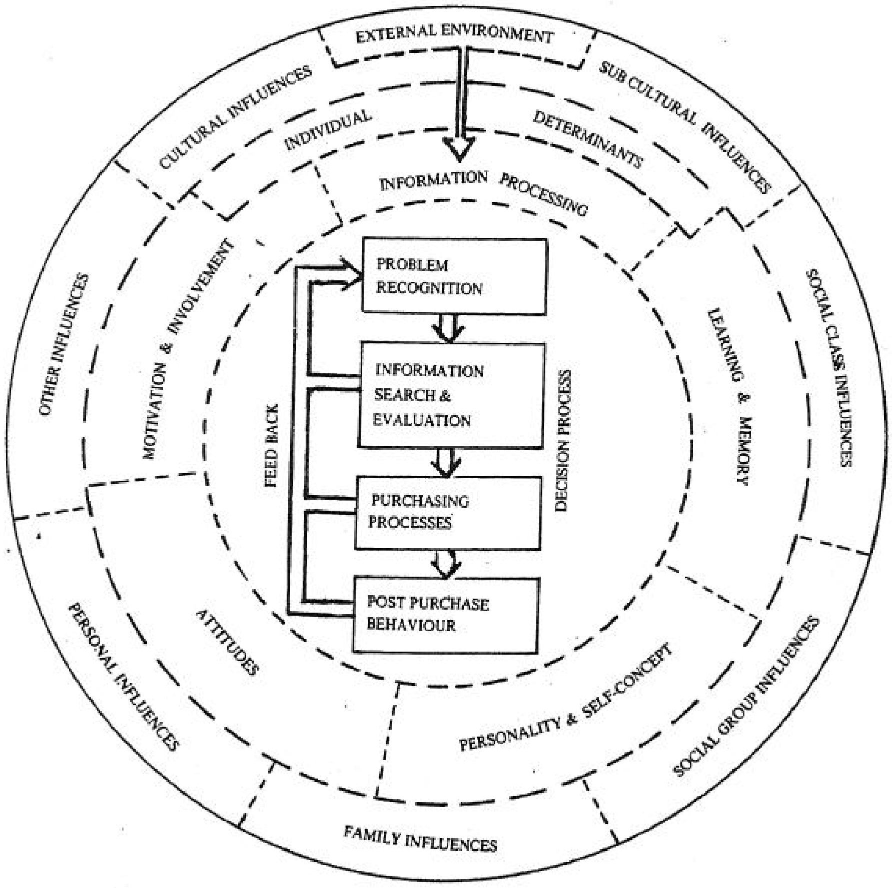


Figure 01: A Simplified Framework for Studying Consumer Behaviour

Consumer behaviour is the decision process and physical activity engaged in by individuals. The physical activity focuses upon actual visible purchase which is complex one because of interplay of multiple influences on individuals. The final purchase is an end activity of the whole of the buying decision process. Depending on the nature of product or service in question, the mental decision process accompanying the physical act of purchase may vary from very simple to extremely complex, and from being instantaneous in nature to time consuming and elaborate. But they all constitute consumer behaviour. Thus, not only the overt, observable physical behaviour exhibited in the art of making a purchase, but all the accompanying, preceding and following mental processes and activities also are an integral part of consumer behaviour. The decision process comprises of a number of steps.

The first step is when the consumer becomes aware of the fact that s/he has a problem such as that she has run out of shampoo or that she needs new set of furniture for the drawing room or that she needs to engage the services of a computer expert to help him or her in purchase of a Personal Computer System. Problem recognition thus occurs when the consumer recognizes that she has an unfulfilled need. The desire to fulfill this need triggers off the other steps of information; search and evaluation and finally results in the purchase process. A consumer may recognize the need for a Mobile Phone for communication activities. But, if she lacks the means to buy a Mobile Phone despite of its recognition might be because of the constraints of lack of availability and ability to buy. Only after due care of all probable constraints taken by customers, s/he will look for information search which may take the form of a deliberate, prolonged search. Having gathered the relevant information, the consumer needs to evaluate it to arrive at the decision regarding which toothpaste best fulfils his need. Having arrived at the decision, she shall be ready to make the purchase. At this point, she has to make a choice regarding which outlet to buy from. After the purchase when she uses the product she either feels satisfied with-it and shall concludes that she has made the right decision or the feels dissatisfied and decides that his or her decision was not correct. This dissatisfaction-set in motion a search for alternative choices and fresh evaluation. It is thus a continuing cycle of decision process.

> Activity 2 :
>
> Consider the buying situation of your past while buying soap of your choice, while selecting a restaurant for dinner, and start from problem recognition try to spell out the various mental and physical activities which you indulged in at each stage of the decision process.

6.6 Why Understanding Consumer Behaviour

This part of unit explains why the study of Consumer Behaviour is important for marketers? An understanding of consumer behaviour is important to: (1) Satisfy the Customers (2) Adoption of the Marketing Concept, and to (3) Gain legitimacy in Society explained in brief as follows.

(1) Satisfy the Customers:

According to Peter F. Drucker, the purpose of business is to create and then retain a satisfied customer because companies make a profit, which is a necessity, not a purpose. In order to satisfy customers, companies should adopt a Customer Culture which is a culture that incorporates customer satisfaction as an integral part of the corporate mission and utilizes an understanding of consumer behavior as an input to all its marketing plans and decision. If marketer does not keep the customer for several years they don't make money. Now a days, customer have become more demanding, time-driven, more information-intensive, & highly individualistic, and therefore, satisfying customer become very important and it is only possible by understanding their behaviour.

(2) Adoption of the Marketing Concept:

According to Philip Kotler Marketing is the improvement over the Selling Concept. In selling concept, The Company's principal focus is on finding a buyer for the product it makes and somehow selling that customer in to parting with his/her cash in exchange for the product the firm has to offer. Whereas, in marketing concept the firm's obsession is to make what the customer needs or wants. It is presumed that under the Marketing Concept, it plays a consultative role, helping customers identify products and services that would best meet their needs.

(3) Gaining Legitimacy in Societies:

A society supports business because it serves its members by catering to their needs and wants.

Focusing on the customer leads to better serving the Society's needs. Paying attention to consumer behavior & fashioning a business to respond to customer needs, desires and preferences amounts to business' democracy for a nation's citizens and serves both public and private interest.

In summary, consumers do not always act or react as the theory would suggest. Consumers preferences are changing and becoming highly diversified. Consumers' research has vividly pointed out that customers dislike using identical products and prefer differentiated products. Meeting of special needs of customers require market segmentation which needs to study consumer behaviour. Rapid introduction of new products with technological advancements has made the job of studying consumer behaviour more imperative.

6.7 Applications of Consumer Behaviour

The marketing activities begin with identifying unsatisfied human needs in order to understand the kind of activities in which people engage to fulfill their needs. Thus, Marketing is defined by Philip Kotler as human activity directed at satisfying needs and wants of people through exchange processes. This definition clearly states the importance and application of understanding consumer behaviour.

The major applications of the Consumer Behaviour are summarized as follows:

(a) Identification & Analysis of Market Opportunities:

Unfulfilled needs and wants of consumers can be identified easily with the help of understanding of consumer behaviour which can be done by examining trends in income, consumers' lifestyles and emerging influences. For example, the change in behaviour of consumer is reflected in terms of increasing number of working wives, and more focus on convenience which gives rise to needs of washing machine, vacuum cleaner, mixer grinder etc.

(b) Selection of the Target Market:

The understanding of the needs of consumers would help in identifying different groups of consumers with very distinct needs and wants; how they decide to buy product or services; how they behave, who are involved in buying decision. This enables the marketer to market products/services especially suited to needs of different group of customers. For example, a study conducted by marketer of soaps and shampoo found that there was a class of consumers who would like to use shampoo only on special occasions and who otherwise use soap to wash their hair. So the marketer has launched their shampoos in small sachets containing enough quantity for one wash and priced just at two or three rupees to meet the need of this target market.

(c) Determination of the Marketing Mix:

Once the marketer has identified the unfulfilled needs of group of customers and having modified the product to suit differing consumer tastes, the marketer now has to determine the right mix of marketing mix elements i.e. product, price, place, promotion and advertising.

Product:

The marketer should offer the product that will not only satisfy unfulfilled consumer need, but the marketer must decide the size, shape, packaging, guarantee, after sale service, attributes of the product. And whether it is better to have one single product or a number of products. For example, the study of consumer needs revealed the need for a water storage facility in the kitchen and bathroom but which didn't occupy floor space. In response to this need, Sintex added the overhead indoor loft tank to their existing range of outdoor roof top water storage tanks.

Price:

What price should be charged is very important decision the marketer needs to take. Should the charged price be the same high or low as that of the competing product? Should the price be marked on the product or left to the discretion of the retailer to charge from customer? Should any price discounts be offered? What is the customer perception of a lower or higher price? These are the kinds of questions facing a marketer when taking a decision regarding pricing. The marketer has to determine the price level which makes the image of the product and which also maximizes the sales revenue.

Place:

After determining product and its attributes and fixing the price the marketer needs to decide regarding the distribution channel; the type of retail outlets should sell the products; the territorial right of retail; decision regarding convenient location of retail outlets; decision regarding selective, exclusive, or intensive distribution of product etc. The answers to all these questions can only be found when the marketer has a good understanding of the consumers' needs which are being fulfilled by his product and the manner in which consumers arrive at the decision to buy.

Promotion:

The basic concern of marketer now is to find out the most effective methods of promotion which will make the product stand out amongst the clutter of so many other brands: and products, which will help increase the sales objective and yet be within the budget. This is possible only when the marketer knows who his target consumers are, where are they located, what media do they have access to, what is their preferred media and what role does advertising play in influencing the purchase decision? Today, TV is the most powerful advertising medium in the country. And many brands spend the greater part of their promotion and advertising budget on TV. In so many cases of industrial product media advertising is very negligible, instead, brochures or leaflets containing detailed product specification and information are directly mailed to the actual consumer, and sometimes followed up by a salesman making a call to clinch the deal.

(d) Applications of Consumer Behaviour in Not-for-Profit Organizations:

The knowledge of consumer behaviour is also useful in the marketing of non-profit or social or governmental services of institution such as hospitals, voluntary agencies, law enforcement and tax collection agencies.

> Activity 3 :
>
> Consider your self as a marketing manager and identify some decisions, based of understanding of consumer behaviour, regarding product, pricing, distribution and promotions, of any product of your choice.

6.8 Influences on Consumer Buying Behaviour

Consumer buying behaviour is influenced by various factors which can be grouped as Cultural, Social, Personal, and Psychological factors.

(a) Cultural Factors:

The marketer needs to understand the role played by the consumer's culture, sub-culture and social class.

Culture: Culture is the set of basic values, perceptions, wants and behaviours learned by a member of society from family and other important institutions. Culture is defined as the complex, sum total of knowledge, belief, traditions, customs, art, morals, law and any other habits acquired by people as members of a society. Culture is the most basic cause of a person's wants and behaviour. Culture of one society differs from that of another. Many of our actions and behaviour as consumers stem from our cultural background. Cultural factors exert the broadest and deepest influence on consumer behaviour. The marketer needs to understand the role played by the buyer's culture, subculture and social class.

Sub-Cultural Influences: Within a given culture, there are many groups or segments of people with distinct customs, tradition and behaviour, which set them apart from other people. Each of these people, within one cultural mainstream, has uniquely distinct sub-cultures. They have their style of dress, food habits, religious traditions and rites all of which have implication for the marketer. Each culture contains smaller subcultures or groups of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups and geographic regions. Many subcultures make up important market segments and marketers often design products and marketing programmes tailored to their needs.

Social Class Influences: Social classes are relatively permanent and ordered divisions in a society whose members share similar values, interests and behaviours. Social class is not determined by a single factor, such as income, but is measured as a combination of occupation, income, education, wealth and other variables. Not only do class systems differ in various parts of the world: the relative sizes of the classes vary with the relative prosperity of countries. Social class is a group consisting of a number of people who share more or less equal position in a society. Within a social class people tend to share same values, beliefs, and exhibit similar patterns of behaviour and consumption. Some social classes are ranked as higher and lower. Social classes differ from one society to another, and their standing in society may also change over time.

(b) Social Factors:

A consumer's behaviour is also influenced by social factors, such as the consumer's reference groups, family, and social roles and status. Because these social factors can strongly affect consumer responses, companies must take into account when designing their marketing strategies.

Reference Groups: A social reference group is a collection of individuals who share some common attitudes and a sense of relationship as a result of interaction with each other. Social groups may be primary where face-to-face interaction takes place frequently, such as families, friends, neighbours, work groups and study groups. Secondary groups are those where the relationship is a more formalized and less personal in nature. These include organizations like religious groups, professional associations and trade unions. The behaviour of individuals as consumer is greatly influenced by other members of the group. If executives of an office normally wear a safari suit to work, it is most likely that a newcomer to the office would tend to conform to this pattern even though he may have been dressing very differently in his earlier work situation.

Marketers try to identify the reference groups of their target markets. At least there are three ways in which reference groups influence persons' behaviour. They expose the person to new behaviours and lifestyles. They influence the person's attitudes and self-concept because he or she wants to 'fit in'. They also create pressures to conform that may affect the person's product and brand choices. The importance of group influence varies across products and brands.

Family: Family is a social group which can be defined as a primary group. The first and strongest influence on a child is that of his family. Family members strongly influence buyer behaviour. Parents provide a person with an orientation towards religion, politics and economies, and a sense of personal ambition, self-worth and love. In countries, where parents continue to live with their children, their influence can be crucial. The buyer's spouse and children have a more direct influence on everyday buying behaviour. In the case of expensive products and services, husbands and wives more often make joint decisions. Marketers are interested in the roles and relative influence of the husband, wife and children on the purchase of a large variety of products and services.

Role & Status: A person belongs to many groups such as family, clubs, and organizations. The person's position in each group can be defined in terms of both role and status. A role consists of the activities that people are expected to perform according to the persons around them. Each role carries a status reflecting the general esteem given to it by society. People often choose products that show their status in society. For example, the role of executive has more status in our society than the role of worker in an organisation and accordingly they choose the products.

(C) Personal Factors:

Even if two individuals brought up in one family environment with exactly the same educational background living in one house and yet exhibiting very different tastes and purchase decisions. What is it that accounts for the vast differences of consumer behaviour? It is because of personal motivation and involvement, attitudes, self-concept and personality, learning, memory and information processing is different form one individual to another individual. A buyer's decisions are also influenced by personal characteristics such as the buyer's age and life-cycle stage, occupation, economic situation, lifestyle, and personality and self-concept.

Age and Life-Cycle Stage: People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture and recreation are often age related. Buying is also shaped by the family life cycle, i.e. unmarried, married, married with children, old aged etc., stages through which families might pass as they mature over time. Marketers often define their target markets in terms of life-cycle stage and develop appropriate products and marketing plans for each stage.

Occupation: A person's occupation affects the goods and services bought. Blue-collar workers tend to buy more work clothes, whereas white-collar workers buy more suits and ties. Marketers try to identify the occupational groups that have an above-average interest in their products and services.

Economic Circumstances: A person's economic situation will affect product choice. Consumer can consider buying expensive products if he/ she have enough disposable income, savings or borrowing power. Marketers of income sensitive goods closely watch trends in personal income, savings and interest rates.

Lifestyle: A person's pattern of living an expressed in his or her activities, interests and opinions. People coming from the same subculture, social class and occupation may have quite different lifestyles. Lifestyle captures something more than the person's social class or personality. It refers to a distinctive or characteristic mode of living, in its aggregate and broadest sense, of a whole society or segment thereof. The aggregate of consumer purchases, and the manner in which they are consumed, reflect a society's or consumer's lifestyle. It can be defined as unified patterns of behaviour that both determine and are determined by consumption. The term unified patterns of behaviour thus refers to behaviour in its broadest sense. Attitude formation and other types of subjective activity are not readily observable, but are behaviours' nonetheless.

Personality and Self-Concept: Personality is the sum total of the unique individual characteristics that make each one of us what we are. It provides a framework within which a consistent behaviour can be developed. Each person's distinct personality influences his or her buying behaviour. Personality is usually described in terms of traits such as self-confidence, dominance, sociability, autonomy, defensive ness, adaptability and aggressiveness. Personality can be useful in analyzing consumer behaviour for certain product or brand choices. Self-concept or self-image is the way we perceive ourselves in a social framework. We always tend to buy only those products and services which we think fit or match with our personality. Marketers also try to give a distinct image or personality to their products which is as close as possible to that of the target consumers.

(d) Psychological Factors:

The important psychological factors such as motivation, perception, learning, and beliefs and attitudes affect consumer's buying choices.

Motivation: Motivation is that internal force which arouses or activates some need and provides direction of behaviour towards fulfillment of the need. A motivation maybe physiological or Most of these needs will not be strong enough to motivate the person to act at a given point in time. A need becomes a motive when it is aroused to a sufficient level of intensity. A motive (or drive) is a need that is sufficiently pressing to direct the person to seek satisfaction. Everyone has both physiological and psychological motivations, but we each fulfill them in different ways. One consumer satisfies his thirst by drinking water, the second quenches it by having a soft drink, the third drinks Bisleri Mineral Water bottle a fourth prefers soda. For one consumer, buying a luxary car is a way of seeking status, another satisfies his want for status by becoming a member of the best club in town. The reason why marketer adopts different methods of satisfaction of our motivations is because of the differing level of personal involvement in various activities. Involvement refers to the personal relevance or importance of a product or service that a consumer perceives in a given situation.

Perception: A motivated person is ready to act. How the person acts is influenced by his or her perception of the situation. Two people with the same motivation and in the same situation may act quite differently because they perceive the situation differently. Thus, perception is the process by which people select, organize and interpret information to form a meaningful picture of the world. People perceive the same situation differently because all consumers learn by the flow of information through our five senses: sight, hearing, smell, touch and taste. However, each one of us receives, organizes and interprets this sensory information in an individual way.

Learning: Learning is changes in an individual's behaviour arising from experience. If the experience of consumer is rewarding, he/she will probably use that product more and more. His/her response to product will be reinforced. In case of dissatisfaction from product consumption consumer will speak and spread negative aspects of product. The practical significance of learning theory for marketers is that they can build up demand for a product by associating it with strong drives, using motivating cues and providing positive reinforcement.

Beliefs and Attitudes: Through doing and learning, people acquire their beliefs and attitudes. These, in turn, influence their buying behaviour. A belief is a descriptive thought that a person holds about something. These beliefs may be based on real knowledge, opinion or faith, and may or may not carry an emotional charge. Marketers are interested in the beliefs that people formulate about specific products and services, because these beliefs make up product and brand images that affect buying behaviour. Attitudes are our learned predispositions towards objects, people and events.

Attitudes guide consumer's orientation towards products and services. Attitude can be defined as a person's consistently favourable or unfavourable evaluations, feelings and tendencies towards an object or idea. People have attitudes regarding religion, politics, clothes, music, food and almost everything else. Attitudes put people into a frame of mind of liking or disliking things, of moving towards or away from them. Attitudes are difficult to change. A person's attitudes fit into a pattern and to change one attitude may require difficult adjustments in many others. Thus a company should usually try to fit its products into existing attitudes rather than try to change attitudes.

Activity 4 :

Consider a buying situation of buying three different durable products and identify which factors influence is greater in buying these products. Also identify, is there any difference in terms influence of these factors within these three different durable products.

6.9 Consumer Buying Decision Process

In order to understand how consumers buy, an attempt should be made to know the actual stages they pass through to reach their buying decisions. A model buying process through which a consumer passes has five stages which are as follows.

Table Number: 6.2: “Consumer Buying Decision Process”

(1) PROBLEM RECOGNITION OR NEED AROUSAL
(a) Internal Stimulus
(b) External stimulus

↓

(2) INFORMATION SEARCH
(a) Heightened attention
(b) Active Information Search :- through (i) personal sources (ii) commercial sources (iii) public sources (iv) Experiential sources

↓

(3) EVALUATION OF ALTERNATIVES
(a) Product Attributes
(b) Rating information (For developing brand mage on the basis of brand beliefs
(c) Assign weights
(d) Utility of Products
(e) Making judgement or forming Attitude

↓

(4) PURCHASE DECISION
(a) Attitude of Others
(b) Anticipated Situational Factor
(c) Unanticipated Situational Factor

↓

(5) POST PURCHASE BEHAVIORS
(a) Post Purchase Satisfaction
(b) Post Purchase Action
(c) Post Purchase Use or Disposal

This buying process suggests that buying process starts long before actual purchase and has consequences long after the purchase. It suggest that consumer pass through all five stages, but it is not always true. Consumer buying process varies in buying special or expensive items than routine or inexpensive items.

(1) Problem Recognition or Need Arousal:

Consumer buying process starts with need arousal. Need gets aroused when consumers feel that there is a difference between his actual and desired state. A need can be activated through internal or external stimuli.

Internal Stimuli: Due to his biogenic conditions when person feels hungry, thirsty, desire for sex, the need gets aroused which creates tension to person and it becomes a drive, the person know how to cope with such drive from his previous experience and is motivated to buy a product which satisfy his desire.

External Stimuli: Person’s need gets aroused by external stimulus, for example a woman has seen the advertisement of ornaments, or person passing near restaurants may have look at fresh foods which increase his appetite (hunger) and he decides to buy a food.

(2) Information Search:

If an aroused need is intense and product is affordable and easily available consumer buys it and satisfies his need, for example hungry person sees a food, buys it and consumes it immediately. In more cases need is not intense or product is not easily available, it enters consumer's memory and will be satisfied in future. Depending upon the intensity of need, the need produces two types of behaviour (a) Heightened Attention (b) Active Information Search.

(a) Heightened Attention: Here, consumer, in his normal routine life, becomes alert to any information which can help him in satisfying his need. Consumer pays his attention to advertisement, views of his friends etc.

(b) Active Information Search: Here, consumer need is intense and he actively starts collecting information for satisfying his or her need from following sources:-

- Personal Sources, such as family, neighbours, friends, colleagues etc.
- Public Sources, such as mass media (TV, Newspaper) etc.
- Experiential Sources, such as using the product, examining the product, testing the product, product trial etc.
- Commercial Source, such as advertisements, information from dealers, packing of the product, display etc.

The relative influence and importance of these information sources depends on type of product and characteristics of buyer. Generally consumer receives information from commercial sources.

(3) Evaluation of Alternatives:

Information collected for different products helps consumers to evaluate the alternatives. There is not a simple and single evaluation process used by all consumers or even by one consumer in all buying situations. Normally consumer takes judgment about product on conscious and rational basis. Certain basic concepts help in understanding consumer evaluation process are given below:

(a) Product Attributes: Consumer perceived product in terms of its attributes relevant to that product class or category. The attributes of normal interest in some familiar products are: (i) Hotel: Housekeeping, Location, Atmosphere, Cost etc. (ii) TV : Screen Size, Sound Quality, Picture Clarity, Price, colour etc.

(b) Rating Information: Consumer gives ratings to information collected.

(c) Assign Weightage: Consumer assigns different weight to different attributes of products.

(d) Utility Function: Consumers also consider the quality of different products with each of its attributes.

(e) Judgment Preference: The product that carries maximum attributes.

(4) Purchase Decision:

Once evaluation of alternative is done, consumer forms ranked preference among alternative brands. The consumer's evaluation will led to an intention to purchase one of the products. Before actual purchase decision additional three factors influence the buying decision.

(a) Attitude of Others: Attitude of family members, wife, children, friends etc. affect the buying decision. Suppose a person has decided to buy Maruti 800, whereas his wife attitude towards Maruti 800 is negative, and if he gives importance to his wife preference his decision to buy Maruti 800 will be changed.

(b) **Anticipated Situational Factors:** Consumer's purchase intention is also influenced by anticipated circumstances. Consumer forms a purchase intention on the basis of expected family income, expected total cost of product, expected benefits of products etc. any change in this factors will affect their purchase intention.

(c) **Unanticipated Situational Factors:** The unanticipated factors prevent the consumer to fulfill his purchase intension. For example, buyer may not be able to negotiate desirable terms, he may not like behaviour of sales person, language of shopkeeper etc. so buyer changes his decision to buy preferred product.

(5) Post-purchase Behaviour:

After buying and trying the product, consumer will feel either satisfied or dissatisfied. Consumer satisfaction therefore depends upon consumers' expectations and products' perceived performance.

(a) **Post-Purchase Satisfaction:** If, Consumer feels satisfied, i.e. if product matches Consumers' expectations, Consumer shall be satisfied. If product's performance exceeds Consumers' expectations Consumer shall be highly satisfied. When product's performance is less than expectations than Consumer shall be dissatisfied.

(b) **Post-Purchase Action:** If, Consumer is satisfied with product's performance, Consumer shall continue to buy the same product and might also influence others decision of buying that particular product. If, Consumer is dissatisfied, Consumer will not make repeat purchase and even does not communicate with others regard buying of that particular product.

(c) **Post-Purchase Use and Disposal:** Some consumers also find new uses of product so the preserve it. Some other buyers, on the other hand throw out the product after its use, and some consumers retain the packaging of the product or its containers for some other use.

Activity 5 :

Consider a situation in which you are in the stage of making buying decision about new TV. How you proceed with the buying decision considering the buying decision process steps. Explain each and every stage of buying decision process by relating it with buying decision of TV.

6.10 Models of Consumer Behviour

The traditional way to understand the consumers by the marketers is tracing daily experience of selling to consumers. But, with the development and growth in the size of markets/business, many marketers found it difficult to have direct contact with their customers and therefore, marketing decisions of marketer now turn to consumer research. Marketers spend huge than ever before to study consumers in order to learn more about behaviour of consumers which help in getting answers for certain important questions encountered by Marketers. Such questions include: Who buys? How do they buy? When do they buy? Where do they buy? Why do they buy? The most important question for marketers is related with consumer response to marketers efforts, i.e. how do consumers respond to various marketing stimuli that the company might use? Only those companies have a great advantage over its competitors that really understands how consumers will respond to different product features, prices and advertising appeals. Attempts to understand why a consumer behaves the way he does, have always been a continuous activity. Three major models are discussed below in brief:

(1) Nicosia Model:

Nicosia model explains the consumer behaviour on the basis of four fields in which the output of field one becomes the input to next field.

Field One: In order to explain consumer behaviour this model starts with field one which is concerned with attributes of firm and attributes of consumer and exposure with message. So mainly it includes two subfield (a) Firms Attributes (b) Consumer attributes.

(a) Firms Attributes: It includes the characteristics of firm and its products. Generally, the firm name, firm characteristics, its products etc. will be considered by consumers for making a purchase decision. Consumers confront various stimulus i.e., products, packages, brand names, advertisements and commercials etc. Such exposure to messages of companies will have effect on consumer attributes and their choice.

(b) Consumer Attributes: It includes the consumer predisposition and his own characteristics and attributes. Predisposition means person is preoccupied with own thinking before he perceived something and it based on his background, value orientation, prejudices, belief, attitudes, personality etc. This consumer predisposition and attributes are affected by his exposure to messages of various firms and this in turn is responsible for building of attitude of the consumer.

Field Two: It is a pre-action field, i.e. consumer takes action before purchasing. In this consumer do the research i.e. collect further information from various sources and evaluate it through various means and various criteria which help him in relating the alternative with his requirement.

Field Three: Field three is act of purchase or the decision making to buy the product. The consumer buys the product and uses it.

Field Four: Field four is concerned with post purchase behaviour i.e. How the product is used (purpose) by consumer, the storage and preservation of product, the consumption behaviour of consumer for product i.e. whether after consumption whether consumer gets satisfaction or dissatisfaction. All such information about consumer use, storage, preservation and consumption behaviour will be collected by a firm as such feedback is used to make changes in the firms' product attributes. At the same time this feedback inthe form of product use experience will be responsible for changing the predisposition of the consumer and it will also determine later attitude of consumer towards product.

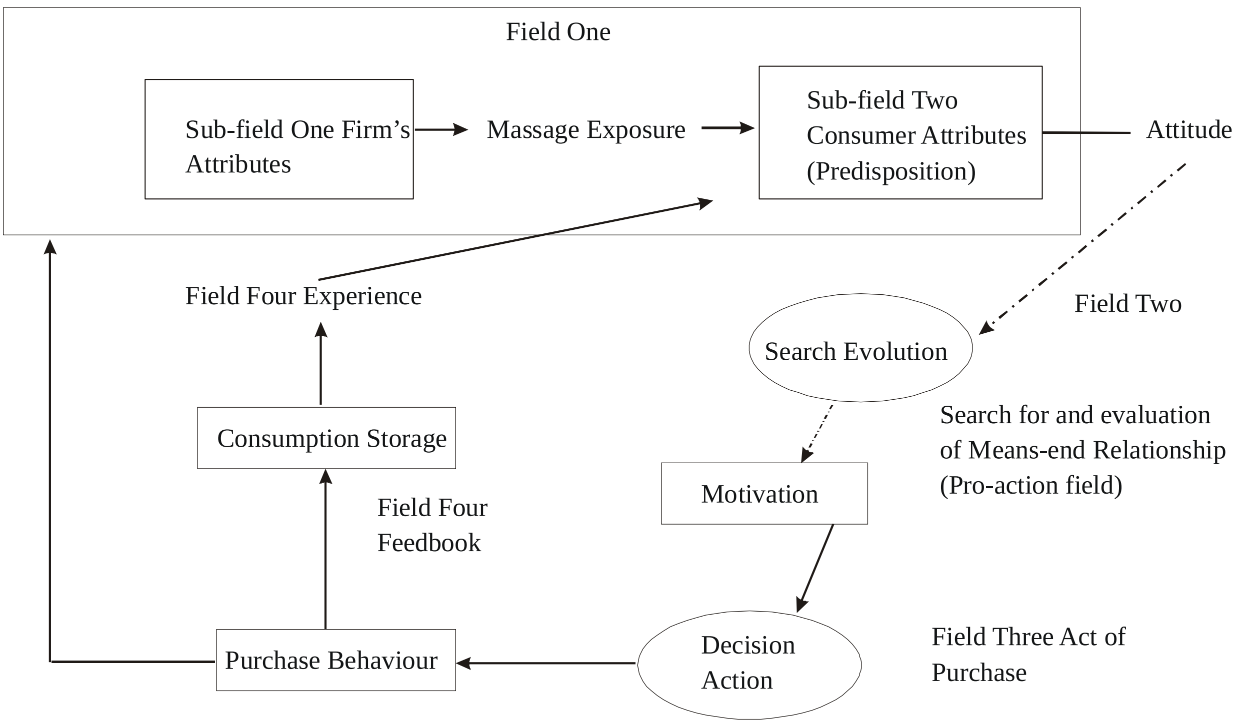


Figure : "Nicosia Model"

(02) Howard-sheth Model:

In the literature of consumer behaviour, one of the major contributions was the theory of buyer behaviour by "John A. Howard" and "Jagdish N. Sheth" in 1969. They take some years and model of consumer behaviour was appeared in 1974. "John Howard" has revised the "Howard-Sheth" model further in their volume published in 1977, entitled "consumer behaviour: Application of Theory".

Simplified version of the Howard - Sheth Model of Buyer behaviour

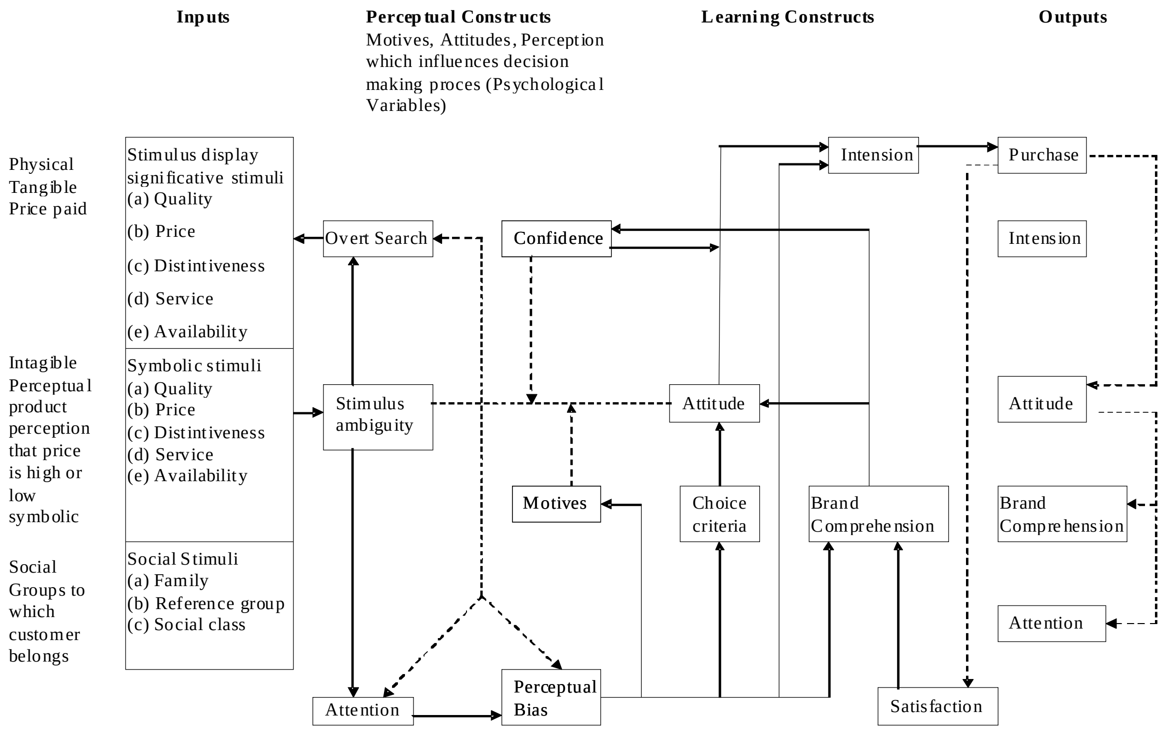


Figure : "Howard-Sheth Model"

In a model the dotted lines designated as feedback or indirect influence, where as solid line shows direct influence or flow of information. This model is slightly complicated and shows that consumer behaviour is a complex process. Model has incorporated that the learning, perception and attitudes influence the consumer behaviour. In this model four sets of variables re shown (i) Input (ii) Perceptual & Learning constructs (iii) Outputs (iv) Exogenous or External variables.

(i) Input

This model starts with inputs i.e. information consumer has acquired for making decisions. This model is totally information based & it focuses more information which consumer uses to make a purchase decision. These inputs are provided by three types of stimuli (1) Significative stimuli (2) Symbolic Stimuli (3) Social Stimuli.

Significative Stimuli: It is concerned with information about physical tangible characteristics of product i.e. Price, Quality, Distinctiveness of product, Services rendered and availability of product. Such information is essential for making decision. Here the consumer considers only what the physical characteristics in the product are.

Symbolic Stimuli: These stimuli are same as significative characteristics, but this includes the perception of intangible characteristics of product by the individual consumer, i.e. how the consumer perceive price? Whether price is high or low? Consumer will consider whether the quality is up to the mark or below average? How the product is different from other products? What services the product render? What is the position of after sales service? How quickly and easily product is available & from where the product is available.

Social Stimuli: Social stimuli includes stimuli provided by family, reference groups (primary groups, secondary groups, aspirational groups, dissociative groups), and & social class (Upper class, Middle class, Lower class). So these informational cues may come from the buyer's social environment, comprising of his family, reference groups, social class, culture etc. This source is not only non-commercial and non-controllable by the firm; it is also a personal source of information input.

(ii) Perceptual and learning constructs:

These constructs have been classified as the perceptual constructs and the learning constructs. These constructs are Psychological variables, e.g. motives, attitudes, perception & its influence on buyer behaviour. The Perceptual constructs deal with the way the individual perceives and responds to the information from the input variables. All the information that is received may not attract the attention as it is subject to perceived uncertainty and lack of meaningfulness of information received. In this two type of search consumer make i. e. Overt and Latent. Overt search which is reflected in the direct behaviour of consumer, such behaviour openly manifests itself that what actually consumer is searching. Latent search which is hidden research and it does not reflect itself. Hidden research for searching the root cause of information searching behaviour of consumer. Through search behaviour consumer receives the stimuli and try to interpret it. Two factors that influence this understanding of stimuli are (a) Stimulus ambiguity (b) Perceptual bias.

(a) Stimulus Ambiguity: It occurs when the person cannot interpret or fully understand the stimuli, or as a result of this he does not know how to respond it.

(b) Perceptual Bias: It occurs when an individual distorts the information according to his needs and experiences. Individual always would like to perceive the things in which he is interested and has three types of behaviour (i) Selective attention (ii) Selective distortion (iii) Selective retention. Clear perception of stimuli by individual is affected by perceptual bias.

The learning constructs deal with the stages from the buyer moves to his satisfaction in a buying situation. The purchase intention is an outcome of the interplay of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase decision. The motives are representative of the goals that the buyer seeks to achieve in the buying exercise; these may originate from the basis of learned needs. These stimuli ambiguity and perceptual bias affect the individual in comprehending and ratings the brands. If brand is rated at higher level by consumer, he develops confidence in brand (confidence means ability to judge the product). Person's perceptual bias affects the brand comprehension, choice, criteria and his attitude. With the positive attitude and confidence in judging product the individual will form the intention i.e. firmness of an individual to purchase a particular product.

(iii) Output

Output means the purchase decision- person intention will make him to purchase the brand. After purchase an individual may have satisfaction or dissatisfaction, where satisfaction leads to Positive attitude and person brand comprehension increases. With dissatisfaction person will have a negative attitude about product.

(iv) Exogenous or External Variables

The model also includes some exogenous variables which are not defined but are taken as constant. The external factors which are not shown in model but they indirectly influence the buyer's choice. These external variables vary from individual to individual. Such factors are (a) personality traits (b) Social class (c) Importance of purchase (d) Financial status (e) personality traits etc. All factors are interdependent and have influence on the decision making process of individual. The model though complicated, deals with the purchase behaviour in an exhaustive manner.

The amount of attention that stimulus invokes depends upon the stimulus ambiguity and perceptual bias which motivates a search for further information. These informational inputs may alter the existing configuration of motives and choice criteria and thereby modify or disturb the brand attitude, brand comprehension, purchase intention and/or action.

The major advantage and strength of the theory lies in the precision with which a large number of variables have been linked in the working relationships to cover most aspects of the purchase decision and the effective utilization of contribution from the behavioural sciences. The weakness stems from the fact that, there being substantial measurement error, the theory cannot be realistically tested. The distinction between the exogenous and endogenous variables is not clear cut. Inspite of all these limitations, the model because of its comprehensive coverage of almost all aspects of the purchase decision and operational explanation of the underlying stimuli and responses have given a useful frame of reference for the study of the buying decision over time.

(03) EKB Model

The authors first began to work in 1965 at the Ohio State University in the field of Consumer Behaviour. The 1968 version of their books was the first text on Consumer Behaviour. Later on, when the book was revised for the first time, the authors had the benefit of the Nicosia model, the Howard-Sheth model and benefits from a growing body of published research in this field. The EKB Model had several distinct purposes: (a) To highlight more clearly the interrelationships between different stages in the decision process and the various endogenous and exogenous variables. (b) To clarify the relationships between attitude and behavior Beliefs and intentions were introduced as decision variables for the first time (c) To define the variables and their relationships with greater precision. The Consumer decision process can be divided in to five steps. (1) Problem Recognition (2) Search stage (3) Alternative evaluation (4) Choice, and (5) Outcomes.

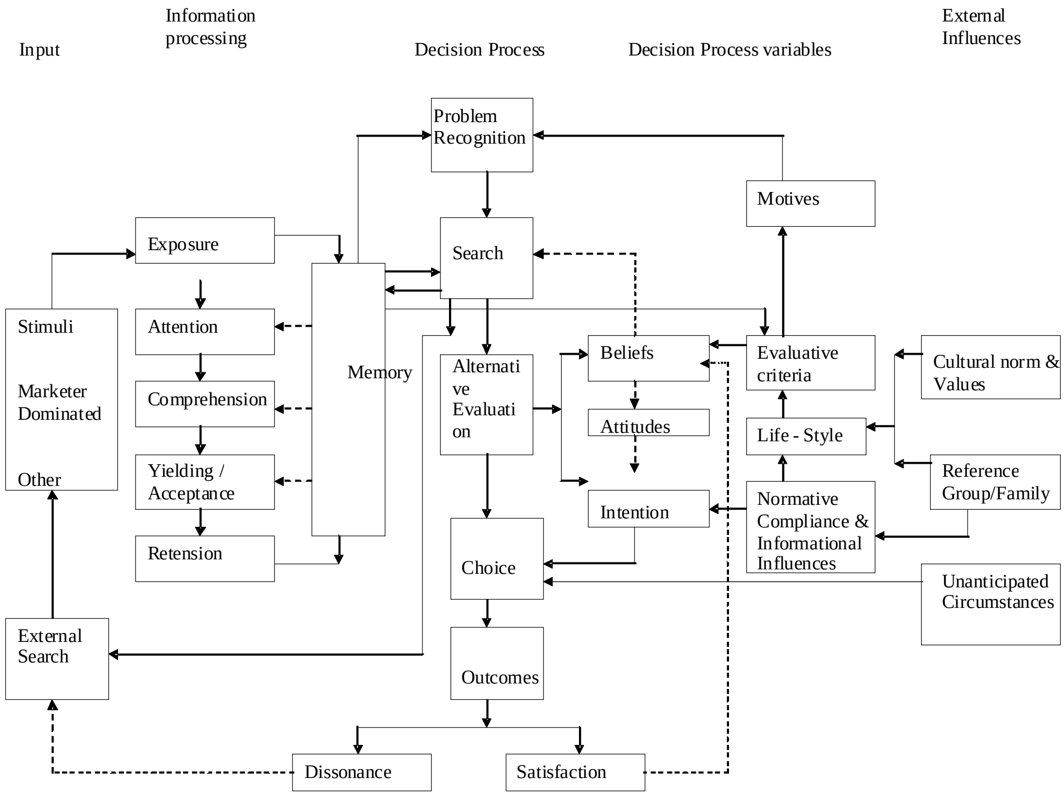


Figure Number: 6.3: "EKB Model"

(I) Problem Recognition

The first step in the consumer behaviour decision process is problem recognition. This occurs when an individual perceives a difference between an ideal and actual state of affairs at the given point of time. It can be activated by motive activation; references' influence; the influence of other decisions, and marketing efforts. For a marketer, it is common to view the role of advertisements only as a trigger to immediate buyers' action. Advertisements have a major effect in stimulating initial awareness which will result in purchase at a later time. Advertisers that do not generate this outcome will be considered as failures.

Stimuli: A stimuli is any unit of input to any of the senses (such as products, purchases, brand names, advertisements and commercials) or stimuli may be marketer dominated (advertisements or display) or other sources, which are beyond the concern of business (i.e., comment from recent purchasers). But how the individual recognizes, selects, organizes and interprets these stimuli depends upon each person's needs and expectations and his sensations.

Sensation: Sensation is the immediate and direct response of the sensory organs (sensory receptors) to simple stimuli (advertisement, package, brand name, etc.). Sensory receptors (organs) are the human organs that receive sensory inputs i.e., eyes, ears, nose, mouth and skin. Human sensitivity refers to the experience of sensation, and sensitivity to stimuli varies with the quality of an individual's sensory receptors; with the amount or intensity of the stimuli to which he/she is exposed. It also varies with the energy change, e.g., differentiation of input {a perfectly bland (mild, gentle, polite) or unchanging environment, regardless of the strength of the sensory input, provides little or no sensation at all. e.g., a person standing on a very busy traffic street will probably receive little or no sensation from the inputs of noisy stimuli}. Situations in which there is a great deal of sensory input, the senses do not detect small changes or differences in input. As sensory input decreases, our ability to detect changes in input or intensity of input increases, e.g., "it was so quiet; I could hear a pin drop." So the human organism is able to adjust itself as external conditions vary, i.e., it provides more sensitivity when it is needed but also protects from damages when input is high.

Absolute Threshold: The lowest level (minimum level) at which an individual can perceive a specific stimulus or can experience a sensation is called the absolute threshold. E.g., the distance at which a driver can note a specific billboard on the highway is that individual's absolute threshold. Under the conditions of constant stimulation such as driving through a corridor of billboards, after an hour of driving through billboards, it is doubtful if any one billboard will make an impression. This happens due to the adaptation or getting used to certain sensations or stimulus. So "sensory adaptation" is a problem for many advertisers. The advertisers try to change their advertising campaigns regularly to provide sufficient sensory inputs. In an effort to ensure that consumers note their ads: Some marketers try to increase sensory input; some marketers use unusual media to advertise their product to gain attention; some marketers advertise their products in buses, parking places, TV programmes and movies.

Differential Threshold: "The minimal difference that can be detected between two similar stimuli is called the differential threshold or J.N.D. (just noticeable difference). In the 19th century, a German scientist named Ernst Weber developed "Weber's Law". Weber discovered that the J.N.D. between two stimuli was not an absolute amount, but an amount relative to the intensity of the first stimuli. Weber's law states that the stronger the initial stimulus, the greater the additional intensity needed for the second stimuli to be perceived as different. According to Weber's law, an additional level of stimulus equivalent to the J.N.D. must be added for the majority of people to perceive a difference between the resulting stimulus and the initial stimulus.

Weber's law holds true for all the senses. Weber's law has important applications in marketing.

Marketers often want to update their existing package designs without losing the ready recognition of consumers who have been exposed to years of cumulative advertising impact. Marketers usually make a number of small changes, each carefully designed to fall below the J.N.D. so that consumers will perceive minimal difference.

A. Exposure: When the person confronts with the stimuli, the message must be gotten to the consumer, message is noticed by is brain, this is known as exposure, the first step in information processing of the consumer.

B. Attention: The exposure to message activates on or more senses and preliminary information processing takes place. It may or may not attract attention. If exposure is voluntary, it is much more likely that attention will be attracted.

C. Comprehension: Once the person's attention is attracted, the message is further processed in short term memory in order to clarify the meaning of the message.

D. Yielding Acceptance: If, the message is understood by the person, it may yield acceptance of the same. Acceptance is concerned with the extent to which a person is persuaded by the information; such persuasion is reflected by either the creation of new beliefs and attitudes or modification of existing beliefs and attitudes. Message comprehension is not equivalent to message acceptance. A person may understand all that is communicated but he/she may not agree with the message.

E. Retention: Retention is concerned with storing the information in the memory. Memory consists of three different storage systems. (1) Sensory memory (2) Short – term memory (3) Long term memory.

(1) Sensory memory where incoming information receives an initial analysis for meaning, based on physical properties such as loudness, colour, pitch. No meaning is attributed at this stage.

(2) In Short term memory, once the stimulus passes through sensory processing, it enters short term memory, where it is held briefly and analyzed for meaning. In effect, short-term memory combines sensory input with the contents of long-term memory, in that the new input is categorized and interpreter. Short-term memory is limited in its capacity to process information at any given point of time.

(3) In Long-term memory, information is rehearsed and transferred to long-term memory where it is stored permanently and may be retrieved later if certain conditions are made. Long-term memory is viewed as an unlimited permanent store house containing all of our knowledge. Own information, experience, knowledge of how to use own information and experience in situation, visual images etc.

(II) Search:

Once a problem is recognized, the consumer searches for information. The initial step is an internal search within the memory to determine whether or not enough information is known about the alternatives to make a choice. Often one brand will be strongly preferred over others based on a past experience, and a decision will be made on the spot. This is an example of routinised consumer behavior. But this is not the case with all product decisions. For expensive and high involvement products, it is necessary to make external search and use of variety of information sources. There always will be individual differences in the propensity to engage in search, because perceived risk of making the wrong choice is high, further information as additional justification is necessary for expensive items. Some consumers are more willing to act on hunch and intuition. The extent of the search is governed by the balance between expected gains and the cost of time, energy and finance. etc. In case of automobile buying, dealer visits and test drives are a part of the search process. So many factors like quality of workmanship, reputation of the manufacturer, the previous positive experience with its product etc. are considered by the buyer in the search stage.

(III) Alternative Evaluation:

Once search has been completed, the buyer must evaluate competing alternatives to arrive at a purchase intention. This involves the interactions of several types of variables.

Evaluative Criteria: Alternative evaluations begin with evaluative criteria. These evaluative criteria are specifications and standards used by consumers to evaluate the products and brands. Criteria are desires and outcomes from choice and preferred product benefits, the general evaluative criteria are price, quality, manufacturer's reputation etc.

Beliefs: Consumer compares the information gained through search process against these evaluative criteria and outcomes, is the formation of belief, Belief is a "strong attitude" or "belief is a descriptive thought which people carry in their mind about a particular product". Belief means whatever the individual believes to be true about various alternatives.

Attitude: Attitudes are emotionally loaded belief. Once beliefs have been formed or changes, attitudes towards the act of purchasing a given alternative will also change (all things being equal). An attitude is a positive or negative evaluation of the consequences of buying and using a particular produce or brand. An attitude is an enduring (stable), favorable or unfavorable, emotional feeling, or action towards particular object or events.

Intention: If attitude is favorable i.e. then followed by formation of a purchase intention. Purchase intention is the subjective probability that a given product or brand will be purchased. It is necessary to assume that "all things being equal" because intensions as well as attitudes can be affected by outside social, and environmental influences.

Cultural Norms and Values: Culture is a complete set of values, beliefs, attitudes which people share commonly in a particular group or culture.

Reference Groups: Reference groups have direct or indirect influence on behavior of people such as primary groups, secondary groups, aspirational groups, dissociative groups, opinion leaders.

Normative Compliance: Normative Compliance or normative social influences can be defined as confirming with the expectations of others in order to avoid particular outcomes that are under the control of others. example, an employee may comply with the demands of his or her employer because of the desire to attain positive (e.g. a pay rise) and/or avoid negative (e.g. being fired) outcomes that the boss controls. Marketers also use normative social influence to their advantage by focusing on the unfavorable social consequences that can occur if the consumer does not use the product example ads shows that others reacting in a less than desirable manner to non-user with dandruff.

Informational Social Influence: It refers to information accepted from others as evidence about reality. The others do not control valued outcomes, but people conform to others because others are perceived as possessing superior knowledge or information, e.g. we follow the pharmacist's or doctor's advice as of which medicine to buy, simply because we believe he or she knows more than us. Consumers repeatedly rely on other's opinions and experiences as valuable inputs for forming their product beliefs and attitudes.

(IV) Choice And Outcomes:

A choice is the outcome of two determinants (i) intentions (ii) unanticipated circumstances. The intentions are the subjective probability that given brand will be purchased. It is the firmness of buyer. Unanticipated circumstances could be endless. Even if lack of funds at the moment of purchase, display or exposure to other substitute may lead to brand substitution. This new formation, causes the consumers reevaluate established beliefs and attitudes, with the result that intention to act changes.

The outcome of choice is dissonance satisfaction and dissatisfaction. Dissonance is doubt that a correct decision was made person is not comfortable with product for any reason. Satisfaction is defined as an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative. Dissatisfaction is outcome when chosen alternative is not consistent with prior beliefs. Favorable experience of course, reinforces future intentions and dissatisfaction will have the opposite effect.

6.11 High and Low Involvement Products

If one consider two set of products in which first set includes items such as car, scooter, air conditioner, television, extra strength pain remedy, mattress, costly jewelry, cosmetic items, etc. The second set includes match box, milk, vegetables, ballpoint pen, candle, etc. The items within each set of products have something in common and this common feature sharply separates these two set of products.

The first sets of products are considered as products having high personal relevance. Price and quality differentiate these products. These products have high personal relevance to consumers because the features of this product which include high price complex features; large difference between alternative products, and product are perceived as having one's self image. In decision process active information search is made by consumer and many attributes are weighed and evaluated. Choice is the result of changes in the consumer beliefs, attitudes and intentions because after collecting, processing and evaluating the information purchase will be made. Brand loyalty will be developed if product continuously provides satisfaction. The second set of products are considered as low-involvement products as these are less expensive products, does not reflect oneself worth, alternative within product class are similar, simple features. No risk whatever brand is used, decision process is simple and less demanding, brand shifts are common and only available information is used.

Degree of Brand Differences	**High Involvement**	**Low Involvement**
Significant Differences Between Brand	Complex Buying Behaviour	Variety Seeking Involvement
Few Differences Between Brand	Dissonance Reducing Behaviour	Habitual Buying Behaviour

- **Complex Buying Behaviour:** When consumer is highly involved in purchase and is aware of significant difference between different brands, the consumer is said to be involved in complex buying situation, for example, car, television, refrigerator etc. The buying behaviour become complex because consumer is aware about alternative brands and the product category is expensive, bought infrequently, high risk of making wrong choice, and reflect self image. The buying behaviour in this situation involves a sequence of behaviour i.e. buyer develops beliefs about product then he develops attitudes and finally makes thoughtful choice.

The marketing of high-involvement products carry important implications on marketers which they need to understand clearly. Marketer must understand how the consumer gather and evaluate the information about such products. For example a person in order to buy a computer and fax machine how, from whom and from where he collects the information. The knowledge about consumer's information gathering and evaluating help in developing communication strategies. The marketer also needs to develop strategies which help the buyer in learning about attributes of products and its relative information. The marketer needs to differentiate brand's features to describe brand's benefits to buyers. The marketer needs to ensure that an appropriate motivational technique has been used for store sales personnel to influence the final choice of the buyer.

- **Dissonance Reducing Buyer Behaviour:** When consumer is highly involved in purchase but sees little difference between brands, the consumer is said to be involved in dissonance reducing buying behaviour, for example, carpet, wall paint etc. Here in this case the product is expensive, brought infrequently, risky and having self worth but behaviour is different than complex buying behaviour. In order to learn what is available in the market buyer will put enough efforts and shop around, but will buy fairly quickly and responsible to a good price and convenience in making purchase.

After purchase consumer might experience dissonance resulting from dissatisfying feature of the product or hearing favourable things about other brands. In this case the consumer put efforts to defend his decision of buying a particular product and therefore, he will be alert to information that supports his decision. In order to reduce his dissonance consumer will behave in such a manner that reflect a satisfaction from the product purchased. The buying behaviour in this situation involves a sequence of behaviour i. e. consumer has acted first and made a choice very quickly then he acquired beliefs by retaining information that support his decision and then finally form the attitude towards product.

The important aspect that marketer of high-involvement products (where they perceive little difference between different brands), must understand that they must communicate to the buyers that their evaluations are correct, which help consumers to feel good about their choice.

- **Habitual Buying Behaviour:** When consumer involvement is low in purchasing product and there is no significant difference between different brands, the consumer is said to be involved in habitual buying behaviour. For example, Salt, Candle, Match Box etc. Here in this case consumer visit the store and ask for the brand not because he is loyal to brand but purpose is to get the product. If S/he could not get the brand S/he may shift to any available brand as he is no loyal to any brand. Here in this case the consumer does not pass through the normal sequence of forming belief, than attitude and finally action because product in this category is considered as low involvement product, low cost, and frequently purchased product. Buying process begins with brand beliefs formed by passive learning followed by purchase behaviour and then he may do the evaluations. Consumer does not put extensive efforts for information gathering, for evaluation and also to make final decision. Consumers are passive recipients of information about product from T. V., Print ads, etc. After purchase and consuming the product consumer does not evaluate their choice. The important aspect that marketer of low-involvement products (where they perceive little difference between different brands), must understand that their advertisement creates brand familiarity rather than brand conviction. In order to stimulate product trial the marketer should use price and promotion tools. T. V. is more suitable low involvement product and it leads to passive learning. In their ads marketer can link the product to some personal situation i.e. toothpaste, coffee, tea ads in morning situation and ads should trigger to some personal values and ego defense.

- **Variety Seeking Buying Behaviour:** When consumer involvement is low in purchasing product and are aware of significant difference between different brands the consumer is said to be involved in variety seeking buying behaviour, for example, soft drinks, shampoos, food packets of snacks etc. brand switching is done often by consumer and it occurs for the sake of variety rather than dissatisfaction from product. Next time consumer reach for another brand just out of a wish for different taste. Consumer already has some belief about product. He chooses a brand without much evaluation and evaluates the product during consumptions. Every marketer has different strategies. Market leader will try to encourage habitual behaviour by dominating self space in store; avoiding out of stock situation; sponsoring frequent reminder advertising (such advertising is used by Boomer, Melody, Éclairs etc.). Some challenging firm encourage variety seeking by lowering the price, by issuing coupons, free samples and gifts etc.

> Activity 5
>
> Do you think that your behaviour is really different when you buy high involvement product than when you buy low involvement product. In your opinion which factors are important in buying high and low involvement products?

6.12 Major Shifts in Consumer Behaviour

Indian consumer buying behavior to a large extent has a western influence. Foreign brands have gained wider consumer acceptance in India and they are much more open for experimentation. Beauty parlors in cities, eateries, designer wear, watches, and hi-tech products are a few instances which reflect these changes in the purchasing priorities in India that also influences the level of sales of individual products. One finds growing demand for entertainment products like TV in India. Indian consumers' preferences are evolving. With rising incomes and increasing awareness of choices available, Indian women is also moving from basic consumer goods to higher priced and branded alternatives that have high aspiration values. This shift in consumption pattern is happening across all income segments and it is not limited to metropolitan cities but is also spreading across tier-II and tier-III cities. Even, rural India is witnessing this shift in consumption pattern. Consumers are curtailing spending on small appliances and house wares. Explosive sub-urban growth has increased vehicle ownership as a necessity for many households.

Another noticeable symbol of changing tastes and pattern in Indian lifestyle are the vehicles owned or desired by people. Within the biking segment, a niche market for swanky premium bikes is being created. To illustrate: Bajaj, Yamaha, Honda and Suzuki have displayed their global models in the Auto Expo held at Delhi. Bajaj Auto has announced plans of launching a Kawasaki Ninja 250R and also a range of sports bikes by European sports bike manufacturer KTM. The four-wheeler segment is also not untouched by this trend. Luxury sports car maker Porsche entered India with the 911 Carrera Turbo, the Boxter and its highly rated Cayenne SUV.

A survey conducted by Invest India Market Solutions (IIMS Dataworks) prior to the launch of Nano, showed that as many as 12.8 Million Indian households can be potential buyers for entry-level cars and 1.6 Million out of them will be in 2008 alone. Banks are also awakening to this phenomenon, with ICICI already chalking out plans to launch an exclusive loan scheme for the car. While the luxury segment would still take some more time to mature in India, nonetheless, there is no denying the overarching desire to acquire of the Indian consumer. The hospitality/hotel industry is also witnessing shifts in consumers' preferences. With a boost in domestic tourism, more and more players are entering the segment and coming up with innovative concepts to tap this demand.

Rise of India's Middle Class:

A study by the McKinsey Global Institute (MGI) suggested that if India continues its recent growth, average household incomes will triple, and from the present position at 12th, it would become the world's 5th largest consumer economy by the year 2025.

Private consumption has already played a much larger role in India's growth than it has in that of other developing countries.

The MGI report predicts aspirers to become the largest segment in terms of number of households in the year 2008, and seekers to begin a sharp period of upward growth starting around the year 2010.The numbers of strivers and global Indians will remain modest, but will begin to climb rapidly towards the end of the forecast period. Spending power will also shift by income bracket as the middle class begins to bulge. By the year 2015, India's middle class will control the largest block of income in the country at 19l trillion Indian rupees, or 44 per cent of total income. By 2025 this will balloon to 51.5 trillion rupees 11 times the level of today or 58 percent of total income. India will experience tremendous consumption growth in it booming middle and upper classes, and this will provide significant opportunities for both Indian and multinational companies. Total combined spending by these classes will more than quadruple in the first decade from 4.3 Trillion Indian rupees($94 billion) today to 18.6 trillion Indian rupees($ 407 billion) in the year 2015, and nearly 13 times over the next two decades to reach 55.2 trillion Indian rupees($ 1,207 billion) by the year 2025.

The Downturn's New Rules For Marketers:

Marketers should focus on the emerging pockets of customer profitability. Traditional media such as TV declining in importance as the Internet and social networking achieved meaningful scale. Marketers trying both to cut costs and safeguard revenue have been to slash back-office sales overhead while continuing to invest in frontline salespeople. Marketers are still very much required to critically evaluate their value propositions of the brands, fine-tune products and pricing, and manage the cost of media agencies and other vendors carefully. They need to identify profitable customers and prioritize the most effective marketing and sales vehicles to reach and win them. The impact of recessions always varies across economies, and global economic conditions are affecting different geographies and demographic groups in even more diverse and complex ways. Multinational companies will have to therefore reassess their growth forecasts for the countries where they compete and need to focus its scarce sales resources on growth counties instead of deploying resources across the board in a declining market. Consumer marketers with access to micro market data have even more opportunities to enhance profitability. Fluctuating unemployment rates, equity prices, and housing and fuel costs have changed the profitability of consumer groups that cut across geographies. In many cases, changes in consumer behavior will force companies to reallocate marketing resources from historically attractive segments. Some groups that until recently had been major contributors to spending growth will become less profitable. Business-to-business (B2B) companies must go a step further. Companies must reexamine their opportunities and risks on a customer-by-customer basis and think about how the economic crisis will affect their profitability. Suppliers must stay alert to these possibilities and respond accordingly. Marketers are not alone in reacting to downturns by giving budgets a standardized haircut. Solicitous executives should quickly focus on more crude growth and profitability differentials within business units in order to trim underperforming investments dramatically while simultaneously seeding promising ones for the coming spring.

In previous downturns, that meant investing in proven advertising vehicles while cutting back on newer ones with shorter track records, as well as focusing resources on sales reps while trimming central back-office functions. The challenges of marketing proliferation have created a more complex mix of marketing vehicles and sales models. New communications vehicles such as the internet, social networking, and mobile devices are gaining scale and delivering effective results. Meanwhile, classic media such as television have become, at a minimum, much more costly. Most marketing plans therefore try to meet their objectives cost-effectively by using a mix of traditional and new vehicles, with the latter typically accounting for 10 to 15 percent of spending. A reprioritization of this kind requires a better understanding of the effectiveness of different forms of advertising than many marketers have today. Companies can maximize the accuracy of their quality assessments by combining a variety of information sources, such as quantitative customer surveys, post event focus groups for sponsorships or other on-the-ground marketing efforts, and workshops where marketing managers and outside experts from advertising and media agencies piece together a collective point of view.

The combination of reach, cost, and quality can help marketers to compare the impact of different vehicles on apples to apples basis which is the key to effective prioritization. A nuanced approach like this can help sales and marketing executives to identify cost savings more confidently and to protect the people and programs making a direct contribution to profitability. Marketing and sales executives must dynamically reassess their geographic, customer, advertising, and sales force priorities, with constant attention to the ever-shifting economics of this downturn.

Implications of Major Shifts in Consumer Buying Behaviour on Marketers:

It appears that there is a new Consumer India waiting to be served with relevant products and services, having some implications for marketers. Outdated technology, low performance and plain looks are rejected now a day, no matter how attractively priced because of the penetration in the market. Therefore, while many companies are focusing on Bottom-of-the-Pyramid strategies to increase penetration and drive future growth, the current market, where much of the value today resides, needs to be viewed with a new pair of lenses. Improved supply, performance, features and quality, partly of all major brands and the near price partly between them shifts the basis of competition to the augmented product from the basic product. As the market matures, and is subjected to multiple changes at the macro level and in related categories, market segmentation has to go beyond the product-centric paradigm. Instead of looking at premium, popular, discount price-performance bands, it is time to look at consumer groups, how they view the market and what drives their choices. The question to ask of research is not how is the market segmented but what is the new way in which to cut it up so customers can be served better. Marketers now therefore need to study and understand customer value. The way consumer process value too has dramatically changed.

Changes in Lifestyles & Consumer Behaviour: Implications for Marketers

Consumer behaviour consist of activities people undertake when obtaining, consuming, and disposing of economic products and services. It has traditionally been thought of as the study of why people buy-with the premise that it becomes easier to develop strategies to influence consumers once a marketer knows the reasons people buy specific products or brands.

To be successfully in the marketplace, it is highly essential that the marketers' people be aware of the psychological make-up of their customers and communicates to them in a way that shall match to with their lifestyles. By knowing the lifestyles' of the target customers, marketers understand them better and would be capable of providing to generate the proper solutions to their needs and desires, which in turn would help marketers to build long term beneficial relationships to generate more business. It is for certain that in the 21st century, marketers must realize that lifestyle shall be the deciding factor that would keep their businesses growing and one step ahead of its competitors in near future.

6.12.1 Socio-Economic Classes of India

The bird of Gold –The Rise of India's Consumer Market, published by the Mckinsey Global Institute (MGI), revealed that if India continues on its current high growth path by the year 2025. MGI has divided Indian households into five socio economic classes based on real annual disposable income as follows.

Deprived (Less than 90,000 Indian Rupees; less than $ 1,969):

Household in this income bracket are the poorest group, many living under the country's official definition of poverty (24000 calories per capita per day in rural areas, 21000 in urban areas).People in this bracket typically earn their livelihoods by engaging in unskilled or low-skilled activities.

Aspirers (90,000-200,000 Indian Rupees; $ 1.969-$4,376):

People in this group are usually small time shop keepers, small hold farmers, or low skilled industrial and service workers.

Seekers (2,00,000-5,00,000 Indian Rupees; $ 4,376-$10,941):

Young college graduates who have just started working to traditional white color employees, mid level government officials, and medium- scale traders and business people.

Strivers (5,00,000 -1,000,000 Indian rupees; $ 10,941-$21,882):

People in this income band and upwards are generally regarded as very successful in Indian society, working as business people (traders) in cities, as established professionals, senior Government officials, medium scale industrialists.

Global Indians (1,000,000 + Indian rupees; $21,882+):

This group is the cream of the country and comprises senior corporate executives, large business owners, politicians, big agricultural land owners and top tier professionals. Overall, this means that 291 Million people will move out of poverty and climb into the aspirer and seeker classes during a period when the country's population will grow by 322 Million people.

Shifts in Spending Patterns of Socio-Economic Classes of India:

As Indians continue to climb the economic ladder, the composition of discretionary expenditures, on products such as mobile phones and personal-care products would form part of India's shopping basket. This shift from necessities, defined as food and clothing as by MGI which anticipates that discretionary spending of total private spending would go up from 52 per cent [2005] to 70 per cent by the year 2025. Food including beverages and tobacco would receive the sharpest decline in relative consumption, even as overall spending in the category rises. The fall in the share of food expenditures from 42 per cent [2005] to 25 per cent by the year 2025. Although, food would remain the single largest category of expenditure, and the growth in its consumption would step up annually from 3 per cent [2005] to 4.5 per cent by the year 2025.The growth would however would remain as moderate in various other categories. Spending on education would grow by 11 per cent by the year 2025. Transportation after food would take a larger portion of household budgets in forthcoming years and the highest growth would come from purchases of car. Clothing (6.4 per cent) and household Products (6.9 per cent) respectively would register slower annual growth relative to overall consumption and thus likely to lose share of wallet.

6.12.2 A New Consumer India and its Implications for Marketers

Consumer India has always been pretty tricky to double guess. Just when we believed that consumer spending was firmly on a high growth trajectory - based on the wonder years of 1993-1998.It spluttered and slowed to a crawl. For the next few years, marketers in India tried everything they knew to speed it up again. They dropped prices while improving product and service quality. "Buy-One-Get-One-Free", they offered. But that only helped them get volume growth at the expense of operating margins. The fast-moving consumer goods (FMCG) sector had a terrible time with some product categories actually shrinking in size, while consumer durable manufacturers struggled to reconcile capacity with demand. Sure, there was a fast growing yet minuscule population of the very rich, which continued to lap up everything from plasma TVs to Mercedes cars - but that was cold comfort for the majority of the marketers.

After much agonizing, marketers came to the conclusion that the five-year boom of 1993-1998 was a one-time star burst, unlikely to be repeated in the near future. The growth spurt of those years was attributed to a confluence of events - release of pent-up demand of the rich who always had money but nothing much to buy before this; a television boom that fuelled aspirations; a distribution boom that brought products and services within easier reach; the discovery of the sachet strategy that made everything affordable to more people; and, finally, a string of good monsoons.

They also shelved the idea of the huge homogeneous mass market made up by the great Indian middle class, which would be a tireless engine of growth. And, having come to terms with the new reality of the market, exhausted marketers worked hard on tactical actions to stimulate growth even while turning their gaze inwards, focusing on operational performance improvement and financial restructuring to keep the bottom line growing.

Meanwhile, a lot of little changes were taking place in the market. Each change, when viewed in isolation, could easily be rejected as not being particularly significant. But over time, and taken together, they have provided a critical mass of change and created a deep and distinctive consumer market. It is a market whose potential and desire to consume has perhaps moved ahead of the marketer's mental model of it. It continues to be a multi-tiered market, with the bicycle and the business class co-existing. It continues to require a portfolio of price/performance points. But it is a market that is now unified by certain common demographic characteristics and consumption desires.

And which has enough mass to act as the springboard for the next stage of the consumption cycle. The question is: are there enough relevant products and services available to take advantage of this? In short, it does appear that the Great Indian Consuming Class has arrived, and is waiting to be served.

Key Characteristics of Indian Consumers:

Indian consumer now has enough informational resources to concretely imagine a better life: plurality of income, singular mindset. When marketers were waiting for the Great Indian Middle Class boom, its key trigger was expected to be a significant number of households above a certain level of income, which would become the critical mass of consumption. But what is being increasingly apparent now is that what unifies Consumer India and gives it the consumption push is not so much its income level, but its key characteristics which are as follows:

Striving: Most Indian consumers, whether rich or poor, want to get ahead in a hurry. From being destiny-driven and resigned, they are now destination-driven and striving to grasp opportunities to earn more in order to construct a better life for themselves and their children. If one were to segment the country into the Arriving, the Striving and the Resigned, the proportion of Resigned has definitely decreased and become geographically concentrated, rather than well-dispersed.

"I Can": The rise of the self-employed and the service economy requiring less capital and more sweat has changed the mindset of the Indian consumers from one of demanding social justice to one of grabbing economic opportunity.

"The Rise of the Women": Like the self-employed, women too are saying "I can and I will," and emerging as partners in family progress. Not so much from earning the second income. A mere 23 per cent of Indian households have working wives and that proportion decreases as incomes increase but by being CEOs of households and intellectual nurturers of their children.

Education & Health-Driven: Indian consumers are obsessed with giving their children the education and skills that will provide the escape velocity to move to a higher station in life - and they have seen enough evidence of this to know it is possible. Health is the other magnificent obsession - probably because ill health adversely impacts earning ability. In fact, the less affluent are more concerned about staying healthy than the more affluent.

A study conducted by HRG in the year 2003 for the Media Research Users Council (MRUC) among 2,000 households in Mumbai showed interesting differences in household expenditure between the top social class (SEC A) and the lowest social classes (SEC D/E). Education and clothing attract the same proportion of expenditure in both the income groups, but the poor probably spend a bit more proportionately on medical expenses than the rich. (This could indicate a big time bottom-of-the-pyramid opportunity for nutrition and health building in the preventive rather than the curative area.) In the past, marketers assumed that progress and evolution of a market meant adoption of 'feel good' products, susceptibility to razzle-dazzle branding, a Westernized self-image and identity, and bountiful days for FMCG categories. But the latest trends show that consumers are going more for real, 'life quality' improvement products and services. Consumer India wants a visibly better quality of life for themselves and their children, described in terms of durables that make life better; education, healthcare; transportation and communication. (NSS data shows that these are the three big growth areas in consumption expenditure.) Other priorities seem to own decent homes, better clothes (not necessarily better brands) and the like. Status is signaled through the things that are visible to others.

They are not beguiled by brands that are low on functionality and high on image. Pragmatism and functionality is the hallmark of their consumption expenditure and the threshold of their expectations of how this functionality is delivered is high: low-priced motorcycles must look like motorcycles and deliver enough power. Basic cell phones must be small, even if they aren't feature-rich. And low-priced garments and footwear cannot get away with antiquated styles.

Entertainment: The country has traditionally been starved of family entertainment, with the only options being watching television or going to places of religious worship. But family entertainment is becoming a big issue for consumers as they try to find avenues of bonding in an era of nuclear families.

Comfort with borrowing to fund future consumption: Being in debt used to be an area of high discomfort for everybody, but the very poor, who had no other choice but to borrow for survival. Now, however, the concept of EMI (equalized monthly installment) is legitimizing borrowing in other groups too, especially to fund future consumption. EMI provides a certain discipline with predictable and planned outflows, and that is probably making indebtedness more acceptable.

Comfort with Consumption: Economists talk about the wealth effect - wherein it takes time before consumption decreases in response to decreasing income. Equally, it takes a while for comfort with consumption to happen, and consumption typically lags income increases. One reason for this could be that the country has celebrated abstemiousness for so long that it takes a supply explosion to spark desire, and then translate that desire into actual consumption. However, that has now happened.

Comfort with Technology: InfoTech awareness, has sunk in to the lowest social classes and to much of the rural population. It has happened through the demonstration effect of model projects of the NGO kind. And it has happened by watching the rich use it and prosper. It has happened due to the mushrooming of call centres & other computer-related services offering employment. As these are located in geographical clusters they get noticed and talked about. Cyber grandmas from upper-middle and upper classes, who have become email literate to communicate with their scattered flock, is one example of this new comfort.

New Opportunities to Sense, Serve and Satisfy for Marketers : If one were to look at the new Consumer India and the consuming class through the lens of 'what is not there but ought to be', several gaps show up.

Home Utilities: We do not have enough depth in offerings even if we just consider the need for better living. The new home is characterized by less space and more things. In the US today are some interesting products: stoppers to place under beds to raise their height, and storage receptacles that fit under the bed smoothly with castors, thereby acting as extra cupboards! Tents with zips on the side, which become temporary cupboards when relatives visit us. Modular furniture. Event the humble pegs that can be stuck behind doors. We need more of those here too.

Women's Liberation: When frozen foods took off in the US long ago, it was because it gave voice to a woman who saw her life being beyond the kitchen stove. We have a similar situation here today. As an FCB Ulka study recently said: "This Annapurna hates to cook." Yet we do not have a reasonable ready-to-cook/ ready-to-eat product range. It is easy to blame consumers for not adopting. But now there's evidence that she is ready for it because she has more productive things to do with her time. Watchmakers tell us that wristwatch penetration is low among women - but conversations with women show they are more time-bound and schedule-bound than we think they are. In urban India, in the top three income groups, what can we do to help them get better organized? There is technology comfort. Is there another durables revolution waiting to happen?

6.13 New Consumer India of Future

Healthcare, retail, insurance, telecom and entertainment are changing consumers in a profound way. This section provides an overview on each of these new markets. Take retail. Through the 1990s, organized retail in India added just 1 Million sq. ft of space a year. Then, from the year 2001, the pace quickened dramatically. In the year 2003 alone, 10 Million sq. ft was added by this fledgling industry. Over the next three years, it is expected that the share of organized retail in the total retail pie will grow from the current 2% to 5-6%. What is driving this? And, what is the result of this hectic expansion? Or take entertainment. In the year 2003, a 2004 FICCI-E&Y Report stated that the Indian entertainment industry grew by 15% to about Rs 19,200 Crores. This growth was largely fuelled by an increase in TV viewership and improved realizations from TV subscriptions and film exhibitions. And yet, other constituents of the industry, music, film, events, radio, are all growing as well. The accompanying graphics illustrate how the two industries are taking shape.

In the first, retail, players are furiously ramping up, partly to grab as much growth as possible, and partly trying to gain scale before global retailers are allowed in. The other chart looks at the movement of ad revenues among genres of television programming . A McKinsey Study concluded that India will become the world's 5th largest by the year 2025.Indians now have more spending power than at any time in the past. How will the country's consumer market evolve?

An average Indian today can potentially spend double of what s/he could in the year 1985; in the next 20 years that is by the year 2025, s/he will be able to spend four times what he does now. India is expected to emerge as the world's fifth-largest consumer market by the year 2025, overtaking countries like Germany and Italy which are currently far ahead. Providing blast to this ride up the ranks of consuming nations is the India's expected Annual Growth Rate of 6 to 9 per cent per annum (Real Compounded Annual Growth Rate[CAGR] of 7to 8 per cent) by the year 2020. This will almost treble middle class income levels-average real disposable incomes will grow from Rs 1,13,744 in 2005 to Rs 3,18,986 in the year 2025, and ensure that just over a fifth (22 per cent) of India's population remains desperately poor, compared to more than half (54 per cent) today. Simply put, 291 Million Indians will move out from an existence of desperation into a more sustainable life.

Middle Class to Fuel Boom: These developments will have a major impact on what Indians buy and consume, how they go about it and also what marketers offer them. By the year 2025, India's middle class is expected to swell almost 12-fold from its current size of 50 Million (other studies have placed it at 200 to 300 Million) people to over 583 Million and make up to 41 per cent of the population. The sheer buying power of this emerging middle class will drive the economic engine. In the future, there will be greater stress on the aesthetic value of products. Durables like high-end refrigerators are already growing at 20-25 per cent per annum. The report predicts that aggregate consumption will double from Rs 17 lakh Crores today to Rs 34 lakh Crores by 2015 and quadruple to Rs 70 lakh Crores by million 2025. Per capita spending in million 2025 will remain modest at Rs 48,632. By Million, 2025, the class structure of consumers will change. The New Middle Class with real earnings of Rs 2-10 lakh P.A. and the Global Class with earnings of more than Rs 10 lakh P.A will account for 79 per cent of total spending. At present, consumers in the "Deprived" and "Aspirer" income segments defined as those with annual household incomes of less than Rs 90,000 and Rs 90,000-2,00,000, respectively account for about three quarters of total spending.

Discretionary Spends: By the year 2025, three-fourths of consumer spending will be discretionary. While Indians will continue to spend nearly a fourth of their disposable income on basic necessities, more than half the spend will be on transport, healthcare, personal products and education. The Four Wheeler Auto Industry to grow at a CAGR of 10 per cent by the year 2015. The spend on communications will grow at 13 per cent per annum through the year 2025 and account for six out of every hundred rupees spent. The key will be penetration.

Urban-Rural Gap Will Close: In the year 2025, urban India with real annual household incomes growing at 5.8 per cent will remain the main driver of consumption and wealth creation, accounting for 62 per cent of the total spends, but rural incomes, too, will register an upswing. The growth rate in annual rural income per household will accelerate from 2.8 per cent over the last two decades to 3.6 per cent over the next two; and rural consumption will reach the level of today's average urban household by the year 2018. As rural India enters the post-modern economy, agriculture will become a smaller part of the whole pie, thereby significantly increasing the buying power of rural markets. Today, rural penetration in the consumer electronics market is just about a tenth of the urban reach; this will change, especially when consumer finance reaches the villages. Even within urban areas, India's mid-tier and smaller cities, which will be home to almost two-thirds of India's middle class population, will emerge as increasingly attractive markets. In fact, mid-sized cities like Chandigarh, Ludhiana and Amritsar already have higher average incomes than their top-tier counterparts. And B and C class cities, and even semi-urban areas like Vellore and Hissar, are already taking to the replacement market. The second-hand market for most home durables in these cities is dying.

The growing consumer market will also throw up several challenges before the state and the private sector. For one, such stupendous growth hinges on the state continuing to pursue a pro-reform, pro-growth agenda. The biggest challenges that the Government needs to address are in education and infrastructure. Private enterprise will take care of the rest. However, analysts fear that if fundamental reforms promised by the Government do not come through, the market will lose its sheen. Marketers will also have to offer high-end products at affordable price points. Moreover, individual companies will have to keep in mind that the customer of the future will be extremely conscious of the cost of energy. The adventurers of yore had to cross the seven seas and overcome numerous obstacles in their quest for the golden bird. The marketers of tomorrow will face similar challenges-the form will have changed, but the content will remain the same.

6.14 Summary

Consumer behaviour comprises the entire spectrum of activities and processes which individuals engage in when buying, using, acquiring or disposing of goods and services. The purchase is only one part of this range of activities. The focus of study in consumer behaviour is the individual making the purchase, but sometimes he may be purchasing on behalf of somebody else. The study of consumer behaviour is concerned with the decision process involved in a purchase. This process may comprise physical and mental activities preceding and following the purchase event. The applications of understanding of consumer behaviour in marketing includes several areas which includes identification and analysis of market opportunities; facilitate target market selection; determine the product mix and consumer behaviour is also applicable in case of non-commercial, non-profit marketing.

During their buying decision process, the consumer is influenced, by a variety of factors. Consumer buying behaviour can be influenced by various factors which can be grouped as Cultural, Social, Personal, and Psychological factors. For all persons engaged in any form of marketing activity need to understand consumer behaviour because of the fact that behaviour of consumers can be understood, the behaviour can be influenced, and the marketer can manipulate these influencing variables to his advantage.

The new Consumer India will pose a huge challenge to marketers because it offers a difficult revenue model of large but not enormous volumes, modest prices and high benefit expectations. It would reward real innovators and ignore marketing propaganda. It would continue to encompass many markets at different stages of evaluation, demanding a complexity of strategy that is far in excess of its worth. India must continue to reform and modernize itself as well as address significant shortfalls in its infrastructure and education systems. Growth in Indian incomes and consumption shall deliver extensive societal benefits, with further declines in poverty and the growth of a large middle class. The growing consumer market will throw up several challenges. Such growth hinges on the State continuing to pursue a pro-reform, pro-growth agenda. The biggest challenge that the Government need to address is in the areas of education and infrastructure. Marketers will have to offer high-end products at affordable prices. Moreover, individual companies will have to bear in mind that the customer of tomorrow would be extremely conscious of the cost of energy.

And yes, it will continue to throw up unexpected answers to the arithmetic of (medium penetration) x (large size of consumer base) x (low price-willing to pay) x (modest per capita consumption).

The last two decades of 1990s and 2000 have witnessed rapid transformation in the way Indian consumers think; behave; buy and consume that can be considered as a result of the change in the attitudes of Indian consumers; growth of Information and Communication Technology [ICT] and their positive response to fast emerging organized retail formats.

The consumer markets of India are now unified by certain common demographic characteristics and consumption desires. The rise of the self-employed and the service economy has changed the mindset of the Indian consumers from one of demanding social justice to one of seizing economic opportunities. The rural market is becoming closer in its mindset to the urban market. It has reduced its dependence on agriculture. The total number of rural household is expected to rise from 135 Million of 2001-2002 to 153 Million in the year 2009-2010. A little less than half of rural GDP comes from non-agricultural activities market. Indian consumers have also become health-driven and less affluent are more concerned about staying healthy than the more affluent. Women too are emerging as partners in family growth and development, though, a mere 23 per cent of Indian families have working wives. Indian consumers look for and respond to quality improvement in products and services. Consumer India wants a visibly better quality of life for themselves and their children, described in terms of durables that make life better.

It is witnessed by their spending on education, healthcare, transportation and communication which are the three big evolving growth areas in the consumption expenditure. Family entertainment too is becoming a big issue for Indian consumers as they try to find avenues of bonding in an era of nuclear families. Indian consumers also find comforts in making payments through Equated Monthly Installments [EMIs] to support their future consumption.

6.15 Self-Assessment Test

1. What is the relationship between the marketing concept and consumer behaviour? Do you find any difference between marketing a personal computer to individual consumer and to organizational buyers?
2. 'The consumer needs and goals are constantly changing due influence of various factors'. Explain the statement with the help of example and the logical reasons for it.
3. Do you think that your real buying behaviour is always the same for high involvement and low involvement products? Explain the same with supporting arguments.
4. Relate the importance of consumer behaviour to each activity undertaken by marketing-oriented firms. Choose the firm accessible to you.
5. Choose an actual nonprofit or social organisation and suggest the areas where knowledge of its 'consumers' might improve the services the nonprofit organisation provides.
6. Recall your consumption experience where post purchase outcomes have significantly influenced you future purchase behaviour. Give reasons for your favourable or unfavourable behaviour.
7. Write Short notes on following.

   (a) Difference between consumer and customer

   (b) Participants in buying behaviour

   (c) Importance of understanding consumer behaviour

   (d) Dissonance reducing behaviour

   (e) Usefulness of EKB Model to marketer in formulating marketing strategies

   (f) The influence of culture in buying durable products

6.16 Reference Books

- Bennett, Peter D. and Kassargian, Harold H. ;Consumer Behaviour, Prentice Hall of India.
- Britt, Stuart Handerson, "Experiment in Consumer Behaviour" John Wiley and Sons.
- Chisnall, Peter, "Marketing, A Behavioural Analysis," McGraw Hill and Co.
- Engel James 7, Kollat, David T. and Miniard, Paul W. "Consumer Behaviour", Hillsade, Dryden Press, 1986.
- Frank R. Kardes; Consumer Behaviour and managerial Decision making: PHI ltd, New Delhi
- Jagdish Sheth & Banwari Mittal; Consumer Behaviour A Managerial Perspective: Thomson; South-Western.
- Jay D. Lindquist & M Joseph Sirgy; Consumer Behaviour: 2nd ed; Biztantra
- K K Srivastava & Sujata Dhadi; Consumer Behaviour in Indian Context; Galgotia Pub. Company, New Delhi
- Leon G Schiffman & Leslie lazar Kaunk; Consumer Behaviour-; PHI ltd, New Delhi

- Michael R Solomon; Consumer Behaviour: 5th ed; Pearson Education
- Roger D Blackwell, Paul W Miniard and James F Engel; Consumer Behaviour- 9th Ed; Thomson; South Western
- Satish K Batra & S H H Kazmi; Consumer Behaviour: Text & Cases; Excel books, New Delhi
- Schiffman, Leon G. and Kanuk, Leslie Lazar, Prentice Hall of India, Third Edition.
- Wayne D Hoyer & Deborach J. Macinnis; Consumer Behaviour Houghton Mifflin Company, All India Publishers and Distributors, Chennai

Unit - 7 : Marketing Information System and Marketing Research

Unit Structure

7.0 Objectives

After reading this unit you should have:

- An understanding of the marketing information systems to help in decision making.
- An appreciation of the different types and levels of marketing decision making.
- A knowledge of the major components of a marketing information system.
- An understanding of the nature of analytical models within marketing information system.
- An understanding of marketing research process.

7.1 Introduction

In traditional subsistence economy the farmers had little marketed and marketable surplus which they sold in the local markets only. They knew their customers first hand. They knew consumers' preference and their paying capacity etc. by being around them. Today, the consumers are wide spread in domestic and international markets with better paying capacity. This has offered a good market opportunity to the farmers. The remarkable development of roads, transport and communication have further added to the market opportunity. An agricultural commodity producer located in a corner of the country can plan the sale of his agricultural products through out the country or even globally. But for better prices he must have knowledge of potential buyers and prices in various markets. This information provides him opportunities for high sale prices and greater profit. In fact, we can say that market knowledge is the power for higher income even to the small farmer or a tiny producer. Thus, a farmer / manufacturer can harvest rich returns if he is able to take right marketing decisions, given the market information. All producers, manufacturers, and all other marketing intermediaries, include the organizations providing marketing facilities, utilise marketing information to run the business more profitability. However, Market information requirement of various groups of people engaged in marketing may vary.

7.1.1 Concept and Definition

Marketing information system is system of collecting and analysing information related to marketing of goods and services. It consists of people, equipment, and procedures to gather, sort, analyse, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers. A marketing information system collects the information on various related aspects of marketing environment such as marketing channels, competitors, prices, arrivals, grades, standards etc.. For international marketing it collects information on prices, quality, standard, grades and legal aspects for products sale in importing countries. It combines this external information with his own business information including his capacity and capability (internal) to take the right decision on what, where, when and how to sell (from farmer's point of view or any other seller's/manufacturer's point of view).

Market information may be defined as a information on all marketing aspects important from selling or buying point of view. It includes all facts, estimates, opinions and other information which affect the marketing of goods and services. Authentic market information is the life blood for profitable marketing/ sales. Market information agencies judge the pulse of market (whether price is high and sale is active or sluggish?), measure the temperature of markets (prices whether rising or fallings?), and monitor the market's pressure (whether supplies are adequate, short or in glut?). The market's history is recorded in statistical data series, and agencies offer a prognosis or estimate of the markets' future health.

Market information is a facilitating marketing function, and market intelligence is essential to a smooth and efficiently operating marketing system. Accurate and timely market information facilitates market decision, regulates the competitive market process and lubricates the marketing machinery. All those who produce, buy and sell agricultural products are continuously amassing, revising and using market information on prices, supplies, demand, and other market conditions. According to Kotler "A marketing information system (MIS) consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers."

7.1.2 Importance and Need of Marketing Information System

During the past century three developments have taken place that necessitated need for more and better marketing information system.

(a) Markets expanded from local to national and international marketing. The fast infrastructure development has remarkably expanded the market. The producers can take the advantage of this expanded market. When the commercial farmers expand their business or area of operation to meet demand, they need more formal system for collecting market information and analyzing it. The WTO has opened a new chapter for developing countries for export of agricultural products in global market provided developed countries do follow the code of conduct and help in establishing fair trading system.

(b) Change from buyers needs to buyer wants. As the income of the buyers increase they become more choosy and need variety of goods. In fact, today, consumers need more diversified food basket. The increase in number of buyer also result in large opportunities. However, seller find it harder to predict buyers response to different features. Obviously more detailed information on consumers' wants can help the business enterprises.

(c) Change from price to non-price competition. As sellers increase the use of branding, products differentiation, advertising and sales promotion, they require more information on effectiveness of these marketing tools.

Marketing information need can be assessed through the following questions:

- What type of decision you are normally required to take?
- What type of information you need to take these decisions?
- What type of information do you regularly get?

- What additional type of information you need?
- What information you want daily, weekly, monthly and annually?
- What five most important improvements can be made in the present marketing information system?
- What information do you need for export of specific product?

Both government and non government organizations are engaged in collecting and disseminating the information world wide. Better endowed Farmers/Traders/ firms collect the market information through their own resources. Recent advances in information technology will help small farmers, large farmers or traders with the marketing information they need to make right decision. However, farmers may not benefit from sophisticated facilities, if the system is poorly managed or not designed for their needs in terms of infrastructure. It is not enough for marketing information to be collected: it must also be disseminated in a form accessible to clients and adapted in their decisions. In many marketing information systems, regional data is transmitted to a central national facility where it is processed and amalgamated with similar data from all over the country. The result is useful to those working for central government agencies, who need to know what is happening over the whole country. It is of less value to the farmers or consumers in the rural areas. Farmers are interested mainly in prices in local markets where they sell their goods. Big traders, associations/ houses take advantage of such national and international marketing information.

Making decisions is not a single event but a series of activities taking place over time. For example, the Operations manager for the National Milling Corporation is faced with a decision as to whether to establish buying points in rural locations for the grain crop. It soon becomes apparent that the decisions are likely to be made over a period of time, have several influences, use many sources of information and have to go through several stages. It is worth considering the question of how, if at all, information systems could assist in making such a decision. To arrive at some answer, it is helpful to break down decision making into its component parts.

The literature has described four stages in decision making: intelligence, design, choice and implementation. That is, problems have to be perceived and understood; once perceived solutions must be designed; once solutions are designed, choices have to be made about a particular solution; finally, the solution has to be implemented. Intelligence involves identifying the problems in the organisation: why and where they occur with what effects. This broad set of information gathering activities is required to inform managers how well the organisation is performing and where problems exist. Management information systems that deliver a wide variety of detailed information can be useful, especially if they are designed to report exceptions. For instance, consider a commercial organisation marketing a large number of different products and product variations. Management will want to know, at frequent intervals, whether sales targets are being achieved. Ideally, the information system will report only those products/product variations which are performing substantially above or below target.

Designing many possible solutions to the problems is the second phase of decision making. This phase may require more intelligence to decide if a particular solution is appropriate. Here, more carefully specified and directed information activities and capabilities focused on specific designs are required. Choosing among alternative solutions is the third step in the decision making process. Here a manager needs an information system which can estimate the costs, opportunities and consequences of each alternative problem solution. The information system required at this stage is likely to be fairly complex, possibly also fairly large, because of the detailed analytic models required to calculate the outcomes of the various alternatives. Of course, human beings are used to making such calculations for themselves, but without the aid of a formal information system, we rely upon generalisation and/or intuition.

Implementing is the final stage in the decision making process. Here, managers can install a reporting system that delivers routine reports on the progress of a specific solution, some of the difficulties that arise, resource constraints, and possible remedial actions.

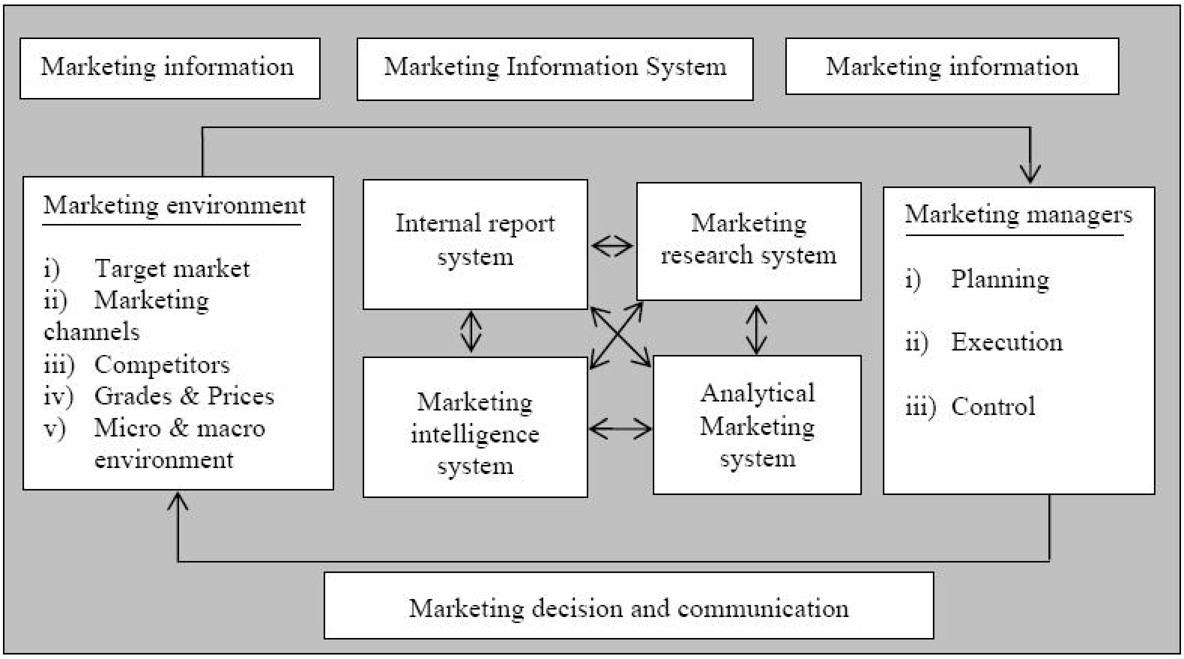
7.2 Components of a Marketing Information System

A Marketing Information System (MIS) is intended to bring together disparate items of data into a coherent body of information. An MIS is more than raw data or information suitable for the purposes of decision making. An MIS also provides methods for interpreting the information the MIS provides. Moreover, as Kotler's definition says, an MIS is more than a system of data collection or a set of information technologies: "A marketing information system is a continuing and interacting structure of people, equipment and procedures to gather, sort, analyse, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

Instead of a plethora of unrelated data on market information one needs pin pointed information which farmers/traders/firms combines various inputs with internal information and presents integrated report for him. Thus every farmer or trader must organize a rich flow of information or they must search for relevant information. Conceptually in a competitive world they must study the information need and design marketing information system to meet its demand. The various components of marketing environment are:

- Target market
- Marketing channels
- Competitors
- Publics
- Microenvironment forces and
- Macro environment forces.

They must collect and monitor marketing environment and market trend information and analyze through four subsystems making up the Marketing Information System. These subsystems are presented in the following diagram.



The marketing information systems and its subsystems

The explanation of this model of an MIS begins with a description of each of its four main constituent parts: the internal reporting systems, marketing research system, marketing intelligence system and marketing models. It is suggested that whilst the MIS varies in its degree of sophistication - with many in the industrialised countries being computerised and few in the developing countries being so - a fully fledged MIS should have these components, the methods (and technologies) of collection, storing, retrieving and processing data notwithstanding

(i) Internal report system: Every farm/firm manager produce internal report showing their current production, sales, cost, inventory, profit and capabilities. They plan the information need and design to collect it. Internal company records are used to know about the market. Internal reports are made which includes reports on orders, sales, price, costs, inventory levels, payments etc. to keep tab and handle the day to day operations of the company. Internal report formats and designs are driven by business processes followed by various departments. For example finance department will have its own set of reports while sales department will have its own different set to meet its requirements. Marketing managers require the latest and updated information about the market. Using this information, they can analyse data about the prospects/customers and immediately send feedback/sales reports to the sales staff at the front end for taking necessary action to either increase sales or stop fall in sales.

(ii) Market Intelligence System: This system provides the firm with happenings data in the commercial environment. The farm manager get the information through reading newspaper, reports, internet, telephone/ mobiles, telegraph, suppliers, distributors, specialist, panel of experts, even purchase the intelligent from outside, or keep their own staff to get information. Farmers normally need the information of standard/ grades, prices, transport, channels, strategies, legal system, institutions and competitiveness.According to Kotler, "A marketing intelligence system is a set of procedures and sources used by managers to obtain everyday information about developments in the market environment." Information is gained through various sources like reading articles, talking to customers, distributors, and suppliers, meeting with other company persons etc.

(iii) Marketing research system: It is the systematic design, collection, analysis and reporting of data and finding relevant information specific to situation facing the firm. The managers either get the data analyzed or study the specific situation himself. They measure market potential based on various marketing components and analyze it to take decision.According to Kotler, "Marketing research is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company".

(iv) Analytical marketing system: It consists of advanced techniques for analyzing marketing data and problems. The data is available in the farm records/firms data bank. Farm/firm manager try to find out major variables (and their significance) which affect the sales potential. They thus find the potential markets and the segment of the markets through analytical system. Then they plan for marketing of produce. They choose the mode of transport, distributor and channels. Marketing decision support system is a collection of data, tools, techniques that helps the marketing managers to take important decisions. These are customized internal as well as external reports that help a manager get a bird's eye view of the business. Marketing decision support system will be discussed later in the same chapter.

7.3 Designing MIS

The process consists of:

- Identifying the broad information requirement of the organization.
- Classifying the information requirement and identifying whether it is for planning purposes or control purpose.

- Evaluating the cost of collecting and processing the information.
- Comparing the cost verses benefits.
- Decoding the frequency and timing of collection of information.
- Identifying the sources of information.
- Designing the mechanism/procedure for gathering, processing, storing and retrieval of information.
- Analyzing and interpreting the information and disseminating it to the right persons at the right time and in the right manner.
- Monitoring, maintaining, reviewing and improving the system

7.3.1 Marketing Information Benefits

Various benefits that flow from marketing information are listed below:

- It helps marketing planning by making available reliable information on the external environment and the internal realities of the company.
- It helps effective tapping of marketing opportunities and provides effective defence against emerging marketing threats.
- It helps early spotting of changing trends; it provides market intelligence to the firm.
- It facilitates the development of action programmes for achieving goals.
- It helps the farmer/trader adjust their products and services to the needs and tastes of customers.
- It helps the farmer/trader control their marketing activities.

The quality of marketing decisions are decided to a great extent by the quality of marketing information available to the decision maker.

7.3.2 Criteria for Evaluating Market Information :

For maximum benefits, the market information must meet a number of criteria. Some of those are described below:

1. **Comprehensive information:** The information must cover all agricultural commodities and markets including international markets. A reasonable and comprehensive information includes prices, price trends, production, supply movements, stocks, and demand conditions at each level of the market for a product. Providing such a mass of information, especially under the constantly changing conditions is a formidable and expensive task.
2. **Accuracy and trustworthiness:** Information must be accurate and trustworthy. However by nature, market information can never be 100 per cent accurate, but it must be an honest market appraisal in order to earn the trust of information users. Constant efforts are made to improve the accuracy of market information and news services.
3. **Usability:** Information also must be relevant and in usable form. It is not enough to simply collect a number of reports. Information must be collected, packaged, and disseminated with the user's interests in mind. Much market information goes unused because it is not in usable form. In such case the efforts made in collecting the information go waste.
4. **Confidentiality:** The information should be confidential to whom it is collected. The information revealed under this situation of confidentiality will be more correct and may assist in drawing policy implications. The names of firms, to whom the market information is collected, should not be leaked out.

5. **Timeliness:** Market information must be timely, in the sense of being relevant to current decisions, and must be speedily transmitted to users. Much market information is unusable. Futures market traders require minute-to-minute market information.

6. **Accessibility:** Each interested party like farmers, consumers, government officials and marketing agencies should have equal access to all the information relevant to the bargaining and marketing processes.

7. **Relevance and clarity:** Market information must be relevant and clear.

8. **Objectivity:** It should convey objective message.

9. **Strategic value:** It should be conceived and used as a marketing decision support system.

10. **Economic:** It must be economical. In other words it should be cost effective.

7.4 Marketing Research

A marketing research starts with an information need. It ends with an actionable report or presentation or both. In between there are various steps to ensure that the marketing research report achieves what we set out to do. The marketing research process includes the systematic identification,collection ,analysis and distribution of information for the purpose of knowledge devlopement and decision-making.The reasons and times at which any company or organization might consider performing marketing research varies,but the general purpose of gaining intelligence for decision-making remains constant throughout.As a company or organization,the overwhelming majority of researches are currently considering What likely revolves around the coustomer.

Marketing research process varies with the nature of problem,the accuracy of the results and the sum of money spent.Marketing research process consists of the interwoven and frequently overlapping seven steps in proper sequence.

1. Defining problem

The first step in marketing research is identifying and understanding the marketing problem.What is the problem?What type of information is required to solve it?What segments of the related information are already available?Marketing research also makes use of the available literature for an in-depth background study of the problem and a marketing researcher must define the research objectives clearly. The marketing research problem undertaken for study must be carefully selected. The task is a difficult one,although it may not appear to be so.Sometimes further definition of the issue or problem is needed,and for that there are several tools you can use.The most common tools are internal and external secondary research.Secondary research intelligence consists of information that was collected for another purpose,but can be useful for other purposes.Examples of internal secondary research are sales revenues,sales forecasts,customer demographics, purchase patterns,and other information that has been collected about the customer.Often referred to as data mining,this information can be critical in diagnosing the problem for further exploration and should be leveraged when available and appropriate .The amount of internal secondary informationthat can be applied is typically limited.

External secondary research is typically far more available,especially so since the internet age.Most external secondary information is produced via research conducted for other purposes,financial performance data,expert opinions and analysis,corporate executive interviews,legal proceedings,competitive intelligence firms etc.

Leading sources for external secondary research resources include:

- Newspapers/Magazine Articles (business and vertical trades)
- Television
- Newsletters
- Competitive Intelligence firms
- Industry Reports
- Trade Associations
- Business Directories
- Government publications & Websites
- Search Engines
- Competitive Websites
- Friends & Colleagues

Nevertheless,every researcher must find out his own salvation for research,as problems cannot be borrowed. How to define a marketing research problem?How to define marketing research problem is undoubtedly a Herculean task. However,it is a task that must be tackled intelligently to avoid the perplexity encountered in a research operation.The usual approach is that the researchers should themselves pose a question and set up techniques and procedures for throwing light on the question concerned.Formulating or defining the research problem properly and clearly is a crucial part of a research study and must in no case be accomplished hurriedly. Poorly defined problems cause confusion and do not allowed the researcher to develop a good research design.

To find out the problem, three categories of symptomatic situations,namely over difficulties,latent difficulties and unnoticed opportunities should be studied.Over difficulties are those which are quite apparent and which manifest themselves example, if a firm has been witnessing a decline in its sales for sometime,this will be called over difficulties. Latent difficulties on the other hand,are those which are not so apparent and which if not checked,would soon become evident. For example,declining sale may,in due course,demoralize the sales staff. Unnoticed opportunities indicate the potential for growth in a certain area of marketing.Such opportunities are not clearly seen and some effort is required to explore them. After a problem has been chosen,the next task is to formulate it precisely.Formulation implies a clear statement or definition of the problem. A complete problem definition must specify each of the following :

- **Unit of Analysis** The individual or objects whose characteristics are to be measured are called the units of analysis .The units always identify the object to be studied.It is necessary that the universe is well-defined .for example ,"Women's dress buyers in Delhi stores on May 31st,2004".This specifies a particular universe,provided that clear definations are given for 'Women dress buyers', and 'Delhi stores.'
- **Times and Space Boundaries** We find that two universe are again different.In the first instance,a precise date,viz.31St May, 2004 is given while in the second instance the entire month of May is given.Similarly,the two universe are different in terms of space-the 'buyers universe specifies stores located in Delhi while the 'shoppers' universe specifies the Delhi Metropolitan area which should be a larger territory then the former.
- **Characteristics of Interest** Characteristics of interest can be style and colour preference, buying behaviour, personality traits, etc. It is necessary that the problem definition specify one or more characteristics to be measured and the fact that the nature of relationships amongst them is to be determined.

- **Environmental Conditions :** It indicates the uniqueness or generality of the problem. The problem definition must specify the environment for which the company wants research results. It may also spell out the possibilities of changes as well as the direction of change in the environment so that the results of the research study do not become irrelevant. For example, if the management is interested in knowning how the units respond to price changes, then the problem definition should specify the prices to be researched.
- **Hypothesis Development** A hypothesis is a proposition which the researcher wants to verfiy. Often there may several competing hypothesis, either specified or implied. one objective of research is to select to among the possible hypothesis and to test them empirically with the help of statistical tools in order to ascertain whether they are true or false.

2. Developing Marketing Research Plan

Once the marketing problem is clearly defined,researcher can move on to developing his approach,which will generally be around a defined set of objectives.Clear objectives developed in step 1 will help better approach development.Developing marketing research plan should consist of honestly assessing and market research skills,establishing of a budget,understanding environment and its influencing factors,developing an analysis model,and formulating hypothesis.While developing the research plan,he should also familiarize himself with the existing research findings.He can also take the help of library sources as well as experienced consultants,persons with practical knowledge,etc.

Project Analysis

- How difficult is the project to execute?
- Is it a large sample (500+) or small sample (<200)?
- Will the project need advanced analysis?
- What are the likely methodological approaches?
- Is in-depth and detailed reporting or executive summary reporting needed?

Skills Analysis

- Is there in-house market research available to meet project needs?
- Is the in-house market research expertise available during the given time frame?
- What parts of the market research process can be handled internally?

Budget Analysis

- Is this a strategic problem/issue or a tactical one?
- Is it a $20,000 project or $200,000 project-what is the information worth?
- Where will the budget come from,and can it be shared between departments?
- Who are those most likely to benefit from the research,and likely those most willing to fund the project?
- In what time frame will budget be available?

Environment

- What is the overall economic environment?
- What is the economic environment relative to your products/services?
- What is the government environment (regulatory,etc.)?

Overall Theory

- What is your overall theory and hypothesis?
- What do you intend to prove or disprove?
- What actions is your company willing to take based upon survey results?
- What are the internal/external roadblocks that will need to be overcome to drive results?

3. Designing Marketing Research Strategy

Based upon a well-defined approach from step 2,a framework for the designing your marketing research programme should be apparent.This step is the most encompassing of all steps in the research process,requiring the greatest amount of thought,time and expertise, is the point at which those less experienced in market research will obtain assistance from an internal market research expert or perhaps partner with an external marketing research provider.Since the intelligence eventually gained from the research is so closely related to the selected research design,this is the single most important step in the research process and the step most vulnerable to the typical research errors.Research design includes secondary,question measurement & scale selection,questionnaire design,sample design & size and determining data analysis to be used. Elements of Research Design include :

The Questionnaire Design Process

Every company or organization that considers performing market research will have different issues, that is why it is so difficult to find a single questionnaire design sample. It is highly recommended that team go through the entire questionnaire design process to make sure that any survery instrument created will be an effective tool for gatherinig the information you need. The Questionnaire Design Process consists of :

- Determine the information needed.
- Determine which survey methodology is most appropriate for your needs.
- Specify individual questions to be asked.
- Decide what question structure ,scale,and wording is appropriate.
- Properly order the questions within the questionnaire.
- Proof and pretest survey with small sample to check performance.
- Make changes based on pretest and execute survey.

Measuring and Scaling

Creating a survey questionnaire that is capable of effectively collecting accurate data is a difficult process with many opportunities for making some of the more common market research errors.Many less experienced market researchers may believe that creating a questionnaire is simply the act of coming up with questions and putting a pen to paper,but that is a dangerous assumption.

Creating a questionnaire requires as much science as art,and incorporating those two elements into a high quality survey that will draw good response rates while effectively collecting accurate data often takes time and experience.

What creating a survey questionnaire,there are basic types of scale questions to have in your tool box.They are:

- **Nominal-** When numbers are used to identify objects,such as social security number,license numbers or daily customers. In this case, the number acts mostly as a data tag, typically for identification.
- **Ordinal -** When numbers are used to indicate the relative position, but not indicate the magnitude of

the difference between those positions. An example of this would be rankings in which items are listed by priority, say first through fifth, or competitive events where the quantifiable difference in perception between #1 And #2 is Unknown.

- **Interval -** When a rating scale is used and the zero point is arbitrary. An example of this is satisfactional scores (satisfaction of 3 on a scale of 1 to 5) as well as most other attitude and opinion questions, regarddless of the scale used (3, 5 or 10 point). Unlike ordinal, the difference between each data point is fixed.
- **Ratio -** The most useful of all of the scales, ratio scales allow the researcher to incorporate each of the above listed scales into one (nominal, ordinal and interval). The key difference with ratio is that unlike the interval scale, it is anchored with an absolute zero point. Examples of ratio questions are market share, income group, age gourp, etc.

4. Collection of Data

To collect the data there must be some communication between the research and the respondent, or alternatively, the researcher observes the respondent and records (mechanically manual, or electronically) the observations. A marketing researcher has to make a plan for collecting secondary data, primary data or both, as the case may be. Primary data gives the original information for specific purposes whereas secondary data consists of information that already exists.

The marketing researcher would either select one of the above-mentioned methods or both. His decision depends upon on the nature of the study, financial resource available, availability of time and the desired dgree of accuracy. Primary data can be collected through experiment or through survey. If the researcher conducts an experiment, he require some quantititative measurements, or the data, with the help of which he examines the truth contained in marketing researcher hypothesis. But in the case of a survey, data can be colleted by any one or more following ways:

- Questionnaire method
- Telephonic interview method
- Personal interview method
- Observation method

5. Data Processing

Data collection is incomplete unless that collection process incorporates the procedure to code the data for computer analysis. The data is coded with numbers and edited wherever the respondent has not provided consistent information. And then the data, once coded into numbers, goes into the computer for entry into relevant files. Once the field survey is over and questionnaires have been received, the next task is to aggregate the data in a meaningful manner. A number of tables are prepared to bring out the main characteristics of the data. The researcher should have a well thought out framework for processing and analyzing data, and this should be done prior to the collection. It is advisable to prepare dummy tables, as such an exercise would indicate the nature and prepare dummy tables, as such an exercise wold indicate the nature and extent of tabulation as also the comparisons of data that can be undertaken.

In order to derive meaningful results from the statistical table, the researcher may use one or more of the following four steps :

The first step is to calculate relevant majors of central tendency as also of dispersionn, highlighting the major aspects of the data. The second is to cross tabulate the data to ascertain some useful ralationships. The third is to calculate the correlation coefficient and undertake a regression analysis betwen variables.

The fourth is to undertake a multivariate analysis. Such an analysis uses a veriety of techniques to determine important relationships amongst several variables.

While data analysis, a researcher should give adequate thought to the use of particular analytical techniques. In the recent year ,many such analytical techniques have prolifearted due to the emergence of the computer. The researcher now has access to an increasing assortment of techniques and it is desirable to know well in advance as to what analytical techniques are going to be used, so that the data can be collected accordingly. It is necessary that the researcher give as much importance to the analysis and interpretation of the data as he has given to their collection. in the absence of proper analysis, data may be rendered useless resulting in waste of time & money.

Preapring the Reasearch Report

Once the data have been tabulated,interpreted and analyzed,the marketing researcher is required to prepare his report embodying the findings of the reasearch study and recommendations. As a poor report on an otherwise good research will considerably undermine its utility,it is necessary that the researcher gives sufficient thought and care to its perparation.

Although report writing needs some skill,which can be developed with practice,the researcher should follow the main principles of writing a report. Some of these principles are objectively ,coherence,clarity in the presentations of ideas and use of charts and diagrams.The essence of a good research report is that it effectively communicates its reasearch findings. As management is generally not interested in details of the research design and statistical findings,the research report should not be loaded with such details,otherwise there is a strong likelihood of its remaining unattended on the manager's desk.In view of this,the researcher has to exercise extra care to make the report a useful and a worthwhile document for the management. Sometimes,a detailed marketing research study throws up one or more areas where further investigation is needed.Since research on those areas or aspects could have been fitted into the original project,a sperate follow-up study has to be attempted.

The marketing research process,as described above,involves various steps,though strict adherence to each of these steps may not be necessary.A researcher may deviate from the above sequence and steps depending on his specific needs.It should be remembered that as research proceeds from the selection on the theme through the collection and analysis of data to the preparation of a report,the focus of attention will move from one activity to the other.This implies that the researcher does not always concentrate exclusively on one particular phase of research untill its completion.

Further, while it is beneficial to draw a detailed plan and sequence of various activities in marketing research, it is hardly so if it requires such kind of financial backing which the firm cannot afford. There is no point in attempting something which cannot be completed on account of financial constraints or limitations of time. Another point worth emphasizing is that howsoever elaborate a research design may be, its management in fact, research management, whether in marketing or in any other field, is of great importance.

7.5 Problems of Marketing Research

Due to vast size of the country, heterogeneous population and infrastructure and attitudinal problems it is not easy to conduct marketing research in India. India's large and heterogeneous population comes in a big way in conducting marketing research. Being a big and diverse country, national surveys required India to be divided into several hundered districts and interviewing several thousands of people. Accessibility to people living in the country is another big problem. Only very few people own telephone,and postal system is also not upto the mark.Because of low literacy level, mail interviews are of limited appliaction.

Personal interviews seem to be the only viable alternatives but even these are best with transport problems and lack of trained staff in the small towns and rural areas. Not only the business firms,but advertising agencies also do not hold favourable attitudes towards marketing research. Advertising executives view it as a hindrance to their creative work and hence do not like spending much money on it.

7.6 Importance of Marketing Research

- It facilitates planned production by forecasting probable sales.
- It helps in identifying the reasons for consumer resistance to existing or new products.
- It reveals the nature of demand for the product i.e.whether the product is in demand through out the year or has a seasonal demand.
- It indicates the product utility as well as the effectiveness of existing channels of distribution.
- It may reveal certain new uses for the existing products.
- It provides information about potential or future markets.
- It helps in the discovery of new lines of production.

7.7 Summary

Marketing information systems are intended to support management decision making. Information systems have to be designed to meet the way in which managers tend to work. Research suggests that a manager continually addresses a large variety of tasks and is able to spend relatively brief periods on each of these. Given the nature of the work, managers tend to rely upon information that is timely and verbal (because this can be assimilated quickly), even if this is likely to be less accurate then more formal and complex information systems. Three levels of decision making can be distinguished from one another: strategic, control (or tactical) and operational. Again, MIS has to support each level. Strategic decisions are characteristically one-off situations. Strategic decisions have implications for changing the structure of an organisation and therefore the MIS must provide information which is precise and accurate. Control decisions deal with broad policy issues and operational decisions concern the management of the organisation's marketing mix. A marketing information system has four components: the internal reporting system, the marketing research systems, the marketing intelligence system and marketing models. Internal reports include orders received, inventory records and sales invoices. Marketing research takes the form of purposeful studies either ad hoc or continuous. By contrast, marketing intelligence is less specific in its purposes, is chiefly carried out in an informal manner and by managers themselves rather than by professional marketing researchers.

7.8 Self Assessment Test

1. Name the four components of an MIS.
2. According to Kotler, what are the contributing elements to an MIS?
3. What differences are there between marketing research and marketing intelligence?
4. Discuss the process of Marketing Research.
5. Examine Importance and problems of marketing research.

7.9 Reference Books

1. Kotler, P., (1988) *Marketing Management: Analysis* Planning and Control, Prentice-Hall p. 102.

2. Agnilar, F.. (1967) *Scanning The Business Environment,* Macmillan, New York, p.47.1. Acharya, S.S. and Agarwal, N.L. (1999) Agricultural Marketing in India. OXFORD & IBH, Co. Pvt. Ltd., New Delhi.

3. Laudon Kenneth, C. and Jane Price, Laudon (1996) Management Information System. Prentice Hall Publication. N.J., USA.

4. Parsad, Jagdish and Prasad, Arvind (1995) Indian Agricultural Marketing: Emerging Trend and Prospects: Mitall Publication, New Delhi.

5. Ramaswamy, V.S. and Namakumari, S. (1999) Marketing Management Planning, Implementation and Control. MACMILLAN India Limited, Delhi.

6. Saxena, Rajan (1997) Marketing Management. Tata McGraw Hill Publication. New Delhi.

Unit - 8 : Product Decisions

Unit Structure

8.0 Objectives

After going through this chepter you should be able to understand :

- The concept of Product
- Classification of Product
- Meaning of product mix and product line
- Major product-mix strategies:
- Managing a product throughout the Product Life Cycle
- Planned obsolescence
- Style and fashion
- The fashion-adoption process

8.1 Introduction

A business organization exists for the sake of customers, and what these customers need. Products therefore are central to all organizational activities. Managing products cover the analysis and planning of products, product development, budgeting and control of products. In these days of globalization, competitive forces make it compulsory for an organization to innovate, and bring a new array of products to satisfy the consumers.

8.1.1 Product Concept :

Product forms the most tangible expression offered by the firm which the consumers buy to satisfy their needs and wants there by deriving consumer satisfaction. Product is a bundle of satisfactions that a customer buys. It represents a solution to a customer's problems. The product is always a combination of tangible and intangible benefits. There are alleys concepts of a product: Core Product, Tangible Product, and Augmented Product and Potential Product:

- **Core Product –** The essential utility or benefit that is being sought or offered
- **Tangible Product –** Physical entity or service that is offered to the market; Quality level, features, styling, brand name, packaging.
- **Augmented Product –** The totality of benefits and costs that the person receives or experiences in obtaining the product.
- **Potential Product –** All the possible augmentations and transformation that it might undergo in the future.

  We can understand this by an example. A person goes to market and buys a camera in this product the various levels will be:

- **Core product –** The customer is buying pleasure, nostalgia, a form of immortality.
- **Tangible product –** Technical features, quality, appearance
- **Augmented Product –** Experience while buying the product (was the salesman cooperative or was he rude?), Experience immediately after buying the product (did the showroom staff explain how to use the camera?), After sales service, Up gradation facility (Can one exchange it for a new model three years later?)

  Further in case of an educational institute these levels can be defined as:

- **Core Product –** Ability to grasp and use marketing concepts in running and development of the institution that I (participant of the course) work for. Career advancement.
- **Tangible Product –** A certificate of having attended a course on marketing
- **Augmented Product –** Course content, presentation and style being interesting (Must not be boring).
- **Potential Product –** Future courses to be offered.

Activity 1 :

Focus on one product offering of Air conditioner and discuss the following questions:

i. What are core, tangible, and augmented products of the product offering?

ii. Are tangible, core, and augmented products in line with the needs, wants and demands of the consumers, customers and influencers? Do you see any scope for improvement? How would the suggested improvements affect costs?

iii. Are any brand issues involved?

8.2 Product Classification

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retailing, products are called merchandise. In manufacturing, products are purchased as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market. In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project.

In general, product may refer to a single item or unit, a group of equivalent products, a grouping of goods or services, or an industrial classification for the goods or services. Products have been traditionally classified on the basis of their characteristics like usage,durability and tangabiity. Marketer user various marketing mix strategies for each product type.

8.2.1 Durability and Tangibility

Based on durability and tangibility ,products can be classified into three groups.(i) non durable,(ii) durable and (iii) services

(i) Nondurable goods: If tangible goods which are normally consumed in one or a few uses (such as a cup of tea and soap). Because these goods are consumed quickly and purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.

(ii) Durable goods : Are tangible goods that normally survive many uses (such as refrigerators). These products normally require more personal selling and service, command a higher margin, and require more seller guarantees.

(iii) Services : Are intangible, inseparable, variable, and perishable products (such as haircuts or cell phone service), so they normally require more quality control, supplier credibility, and adaptability.

8.2.2 Usage:

Products can be classifies depending on who the final purchaser is and how he uses them. Based on the usage of the products, They have been divided into two types :

(i) Industrial Products: Industrial products are products that are sold by one business to another. Such type of product further require transformation . For example a factory may buy a manufacturing plant or some machinery or equipment from another supply. These products are usually low in volume but high in price.

- Materials and parts are goods that enter the manufacturer’s product completely. Raw materials can be either farm products wheat) or natural products (e.g., lumber). Farm products are sold through intermediaries; natural products are generally sold through long-term supply contracts, for which price and delivery reliability are key purchase factors. Manufactured materials and parts fall into two categories: component materials (iron) and component parts (small motors); again, price and supplier reliability are important considerations.
- Capital items are long-lasting goods that facilitate developing or managing the finished product. They include two groups: installations (such as factories) and equipment (such as trucks and computers), both sold through personal selling.
- Supplies and business services are short-lasting goods and services that facilitate developing or managing the finished product.

(ii) Consumer Products: Consumer products are those products that are bought by the ultimate consumers who are also known as the end users. These are the buyers who actually end up using these products. Examples are food items, clothes, candies, toothpastes, soaps, home appliances like air conditioners, microwaves, telephone sets, televisions, carpets, furniture, paint etc. Further we can say that Consumer Goods are final goods that are brought from retail stores to satify the needs and wants of human being. The consumer goods come in wide variety of product range includes: Consumer Products can be further classified as:

(a) Convenience Goods: Goods which are easily available to consumer, without any extra effort are convenience goods. Mostly, convenience goods come in the category of nondurable goods such as like fast foods, confectionaries, and cigarettes, with low value. The goods are mostly sold by wholesalers to make them available to the consumers in good volume. Further, convenience goods can be sub-categorized into:

- **Staple Convenience Consumer Goods:** Goods which come under the basic demands of human beings are called staple convenience goods. Such type of goods require little planning while /before purchasing. For e.g.: milk, bread, sugar etc.
- **Impulse Convenience Consumer Goods:** Goods which are bought without any prior planning or which are bought impulsively are called impulse convenience goods. For eg: potato wafers, candies, ice creams, cold drinks etc.
- **Non sought Convenience Consumer Goods :** Goods or Services like insurance which are available in the market but customer is not really interested in buying them are called non-sought goods e.g. insurance.
- **Emergency Convenience Consumer Goods :** Goods which are purchased when a need is urgent. For example umbrella ,rain coat ,sweater etc.

(b) Shopping Consumer Goods: In shopping consumer goods, consumer do lot of selection and comparison based on various parameters such as cost, brand, style, comfort etc, before buying an item. They are costlier than convenience goods and are of durable nature. Consumer goods companies usually try to set up their shops and show rooms in active shopping area to attract customer attention and their main focus is to do lots of advertising and marketing to become popular. Goods like Clothing Items ,Televisions ,Radio ,Foot Wears ,Home Furnishing ,Jewelleries all these come under the category of shopping goods.

(c) Specialty Consumer Goods: Goods which are unique, unusual, and luxurious in nature are called specialty goods. Specialty goods are mostly purchased by upper-class of society as they are expensive in nature. The goods don't come under the category of necessity rather they are purchased on the basis personal preference or desire. Brand name and unique and special features of an item are major attributes which attract customer attraction in buying them. Examples of Specialty Products are: Antiques, Jewelry, Wedding dresses, Cars.

8.3 Product Mix

Most companies generally market several products rather than just one or two. It is necessary for them to understand the relationship among all their products to coordinate their marketing of total group of products. Thus we use the term product line and product mix while describing the product offering of an organization. These product mix dimensions provide the basis for defining for the company's product strategy like the organization can add new product lines, thus widening its product mix. In this way, its new lines build on the company's reputation in its other lines. The company can lengthen its existing product lines to become a more full time company. Or it can add more versions of each product and thus deepen its product mix .

"A product mix (also called product assortment) is the set of all products and items that a particular seller offers." Product mix consists of all the individual products available through the organization. thus product mix may have several product lines ,and each product line several product models, styles, size etc. for example ,HUL carries a variety of product lines cosmetic, detergents,beverages(coffee,tea),food,items etc and its product mix consists of more than 1000.Product line is a group of closely related products offered by an organization. Thus washing machines is a product line of videocon. TVs form another product line for videocon.

On the other hand, a product line is a group of products that are closely related, because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges thus we can say that, a product mix consists of various product lines.

A product mix of a company has four important dimensions:

1. **Product Mix Width :** refers to number of different product lines offered. For example Proctor & Gamble carries 250 brands in lines of fabric, home care, baby care ,famine care, beauty care, health care and food and beverages products.
2. **Product Mix Length :** refers number of items offered within a particular product line. For example Proctor & Gamble has many brands within each line- 7 laundry detergents & soaps ,5 shampoos.
3. **Product Mix Depth :** refers to the number of versions offered of each product in the line. For example P&G Crest toothpaste comes in 13 variants.
4. **Product Mix Consistency :** refers to how closely related to the various product line are in consumption, production requirements, distribution channel. For example P&G product mix consists of all consumer products that go through the same distribution channels and mostly to same retail shops and all for domestic end use.

The company can increase its business in four ways thus managers must know the revenues and profits of each item in the product line as well as market profile of each product line. Market Profile Analysis involves understanding the product line offerings in comparison to the offerings by competitors.

8.4 Product Mix Decisions

Most business entities have many products in their portfolio. By dealing in many products companies aim to serve a much larger and varies group of customers who look for solutions to different types of needs. This also helps to minimize the risks for a company across different products. For example *ITC* diversified from tobacco –based products to hospitability products, financial services and consumer non-durables such as edible oil and atta. Keeping in view the growing opposition from consumer advocates and restrictions being imposed by government on certain types of promotional activities concerning cigarettes, *ITC* with only a single product line of different brands of cigarettes would have experienced high business risks. As already discussed, product mix is the set of all products lines and items that a particular company offers to buyers. There are three advantages to plot product mix :

1. Product mix helps in defining firm's product portfolio based on width, depth and consistency.
2. Appeals to diverse consumer needs across various segments ,thus helps in maximizing shelf space and sustained dealer support.
3. It allows marketers to concentrate on its core competencies, helps build and create a strong image consumer and trade channels.

Thus the manufacturers and middlemen use several strategies to manage their product mix effectively. Few strategies are discussed as follows :

1. Product Line Stretching:

Every company product line covers a certain part of the total possible range. For example BMW automobiles are located in the upper price range of the automobile market. Line stretching occurs when a company lengthens its product line beyond the current price-quality range. The company can stretch its line down market or up market or both ways. Or we can say that when a company lengthens its product line beyond its presents range is known as product line stretching.

- **Upward Stretching :** Here a company operates in the lower end of the market. By upward stretch, it proposes to enter the higher end. Perhaps, it is motivated by higher margins, higher growth rate or a position of a full range marketer. This decision has its own risks. A well established high end marketer might assault the stretcher by stretching downward. Besides, it is a question of credibility of lower –end marketer- whether he will be able to produce high quality products. There is one competent to deal with the high-end market. For example many markets have spawned surprising upscale segments: Star Bucks in coffee, Haagen Daaz in Ice cream and Evian in bottled water.

- **Downward Stretching :** Many companies start with high end products, but later stretch downward by adding low priced products. The down-end products are advertised heavily so as to pull customers to the whole line on the basis of price. This strategy needs careful handling. The budget brand being promoted should not dilute the overall brand image. For example, Introduce lower price offerings using a sub-brand name such as Sony Value line. Other companies have done this, such as Gillette, Good News, Ramada Limited, Hindusthan unilever etc., The risks are that the Sony name loses some of its quality image and that some Sony buyers might switch to the lower priced offerings.
- **Both-way Stretching:** There are many companies who serve the middle –end market. They can stretch their product line in both the direction. Such type of strategy can be known as both way stretching. Texas Instruments introduced its first calculators on the medium price and medium quality end of the market. Gradually it added calculators to the lower end taking market share away from Bowmar and at the higher end to compete with Hewlett Packard.

2. Product Line Filling :

Product line filling involves addition of new items within the existing range of product line. The basic objective of this strategy is to fill the gap in the product mix to retain the existing customers because retaining is less costlier rather than attracting the new customers. A company may decide to lengthen the existing product line(s) by adding more items. The possible objective leading to line filling may include realizing incremental profits ,meeting dealers demand in response to their complaints that they lose sales because of missing items in the lines, excess capacity pressures, and trying to fill up vacant items slots to keep out competitors. For example Videocon and some other TV and AC manufactures have introduced models at various price-points right through high-end to low –end..

3. Product Line Pruning :

There is a tendency for product lines to lengthen over time. Hence a review must be carried out regularly. Line pruning is just opposite to line filling and stretching and involves a deliberate decision to cut down the number of items in product line(s).Generally over a period, market condition and customer preferences change ,and companies find that some of their product lines contain some unnecessary variants and pack sizes.

Important reason for line pruning can be the shortage of current production capacity. Product line managers must periodically review the line for deadwood that is depressing profits. The weak items can be identified through sales and cost analysis. A chemical company cut down its line from 217 to 93 products with the largest volume, largest contribution to profits and the greatest long term potential. Pruning is also done when the company is short of production capacity. Companies typically shorten their product lines on periods of tight demand and lengthen their lines in periods of slow demand.

4. Product Line Modernization :

In rapidly changing product markets modernization is continuous. Companies plan improvements to encourage customer migration to higher valued and better priced items. Microprocessor companies like Intel and AMD and software companies such as Microsoft and Oracle continually introduce more advanced versions of their products. A major issue is timing improvement so they do not appear too early damaging the sales of the current line or too late after the competition has established a strong reputation for more advanced equipment. Modernizing all products in the line to match the current customer requirement. For example IBM,HP Compaq, Accer and sony has introduced various models with innovative features.

5. Product Line Featuring :

Selecting a few items from the line and promoting them aggressively to attract attention to the total line. The product line manager typically selects one or a few items in the line to feature. Sears will announce a special low priced washing machine to attract customers. At other times managers will feature a high end item to lend prestige to the product line. Sometimes a company finds one end of its line selling well and the other end selling poorly. The company may try to boost demand for the slower sellers especially if they are produced in a factory that is idled by lack of demand but it could be counter argued that the company should promote items that sell well rather than try to prop up weak items.

Activity 2

Please divide the class into five-six groups of about 4 – 6 persons to each group. Each group will take up for study product (and brand) offerings one educational institution (not necessarily their own). Please do the following:

(a) Prepare a chart showing the product mix and product lines of the concerned institution. What are your comments on product-mix-width and on product-line-length?

(b) Identify the consumer, customer and influencer for each product offering or product line.

8.5 Product Life Cycle

All products withness a Life Cycle. A product life cycle ,abbreviated as PLC, consists of a series of stages, beginning with its introduction into the market and ending with its decline. As a product passess through its life cycle ,its sales and profitability changes as it faces changing environment pressures. Understanding the Product Life Cycle (PLC) is of critical importance to a firm launching a new product. It helps a firm to manage the risk of launching a new product more effectively, whilst simultaneously maximizing the sales and profits that could be achieved throughout the product's life cycle.

We can define Product Life cycle as .“It is a series of successive stages a product class or product goes through from the time it is put in the market till it is withdrawn from the market. Thus the PLC indicates that products have four things in common. Following are the characteristics of PLC….

(1) They have a limited lifespan;
(2) Their sales pass through a number of distinct stages, each of which has different characteristics, challenges, and opportunities;
(3) Their profits are not static but increase decrease through these stages; and
(4) It needs di-financial, human resource, manufacturing, marketing and purchasing strategies.

At diffrent stages in the life cycle. Whilst there is a common pattern to a product's life cycle, which is bell-shaped in nature, this pattern does vary depending on the specific characteristics of a given product. These life cycle patterns are illustrated and discussed in the subsequent section.

8.5.1 Stages of the Product Life Cycle

The PLC concept shows the sales history of a typical product as following a bell –shaped curve, depicting the five different stages.

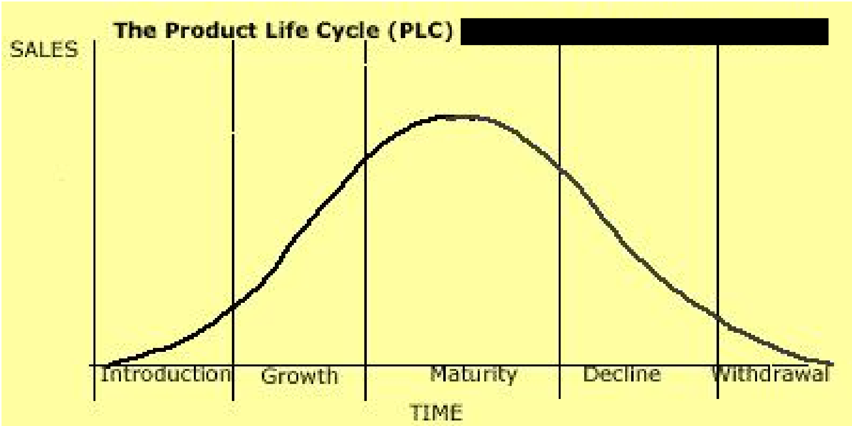
(1) Product Development,

(2) Introduction,

(3) Growth,

(4) Maturity; and

(5) Decline.



Product Life Cycle Curve

1. Product Development: The PLC begins with product development, during which time the firm devises and creates a new product. Whilst the end aim of this development process is to have a profitable, well-performing product on the market, this initial stage is characterized by zero sales, the firm bearing the costs of such development, typically resulting in negative profitability (Kotler and Armstrong, 2004). Recent product developments include the likes of the iPod by Apple and the Serene by Bang and Olufsen. However, despite the importance of the product development process, the PLC literature tends to focus on the subsequent four stages, which are discussed in more detail below.

2. Introduction Stage: The introduction of a new product onto the market is typically characterized by very slow sales, which may grow only very slightly over a long period of time. Whilst profits will gradually improve during this stage, it may take until near the completion of the introductory stage in the PLC before the company witnesses positive profitability.

The reason for such low profitability during this stage is not so much the limited success of the product – measured in terms of low, albeit growing, sales – but the high costs of production and promotion that are required to try to develop customer awareness. Depending on the nature of the product, the firm many need to invest in building inventories or acquiring fixed assets such as plant and machinery. Whilst this stage in the process can take a long time and consume considerable resources, firms must not be tempted to try to obtain early profitability at the expense of long-term product viability. For example, introducing a new product at a low price may encourage a lot of consumers to make an immediate purchase, but the firm not only sacrifices long-term sales because too many people have bought the product early on but also may considerably reduce its margins, making it more difficult and time consuming before the product first becomes profitable and hits its break-even level. As such, firms must make careful choices over their marketing strategies; in particular, their pricing, promotional and placement decisions (Porter, 1980; 1985; Kotler et al., 1996; Blackwell et al., 2001; Grant, 2002; Kotler and Armstrong, 2004).

During the introduction stage, the primary goal is to establish a market and build primary demand for the product class. The following are some of the marketing mix implications of the introduction stage:

- **Product -** one or few products, relatively undifferentiated.
- **Price -** Generally high, assuming a skim pricing strategy for a high profit margin as the early adopters buy the product and the firm seeks to recoup development costs quickly. In some cases a penetration pricing strategy is used and introductory prices are set low to gain market share rapidly.
- **Place :** Place (Distribution) is selective and scattered as the firm commences implementation of the distribution plan.
- **Promotion :** Promotion is aimed at building brand awareness. Samples or trial incentives may be directed toward early adopters. The introductory promotion also is intended to convince potential resellers to carry the product.

Marketing Strategies during Introduction Stage:

While launching a new product, marketing can set a high or a low level for each marketing variable, such as price, promotion, distribution and product quality. Considering only price and promotion, marketing management can pursue one of the four strategies as below:

- **Rapid skimming strategy:** This consists of launching the new product at a high price and high promotion level to skim the market.
- **Slow skimming strategy:** This consists of launching the new product at a high price and low promotion.
- **Rapid penetration strategy:** This consists of launching the new product at a lower price and high promotion level to skim the market.
- **Slow penetration strategy:** This consists of launching the new product at a lower price and lower promotion level to skim the market.

During introduction, particularly for mass market, small value products, promotion for advertising, sales promotion and sales force are high in terms of percentage of total sales. The foremost communication task at this stage is to build awareness about the unique features and benefits and ensure product availability.

3. Growth Stage: The growth stage in the PLC typically involves a rapid growth in sales as early adopters replace pioneers as the main consumer group. Whilst pioneers are characterized as those consumers who purchase products almost immediately when new products are launched, early adopters wait until the price starts to fall and some of the product's potential weaknesses are ironed out. Nonetheless, over time the risk of purchasing a new product – one that is not as well tested and supported – decreases and increasing numbers of people become interested in, and purchase, the product. Towards the second half of the growth stage, later buyers will start to adopt the product as they receive positive word-of-mouth recommendations from people they trust. Whilst profits start to increase during this period, they do not match the growth in sales. This is because the awareness of the new product and growth in product sales make the market for the product more attractive to potential new entrants and competitors.

During this period of high sales growth, many competitors may choose to enter the market, reducing the company's relative market share and, in the process, its profitability. As the sales volume increases, the manufacturing and promotional spend per unit decreases, which also helps to increase profitability. Nonetheless, if the firm wants this growth phase to continue rapidly without petering out, it must invest in adding new product features or improving the quality of the product. This may not only attract existing customers to upgrade their current product purchase but it may also attract different customer demographics that would ordinarily not have been drawn to the product's features and functionality. Alternatively, improvements in customer support or the creation of easy-to-use functionality can help the firm acquire more risk-averse consumers who require greater product support. Over time, the company may choose to reduce prices considerably in an attempt to attract more customers, or bundle the product with other offerings that may be approaching the end of their growth stage.

During the growth stage, the goal is to gain consumer preference and increase sales. The marketing mix may be modified as follows:

- **Product -** New product features and packaging options; improvement of product quality.
- **Price -** Maintained at a high level if demand is high, or reduced to capture additional customers.
- **Place -** Place (Distribution) becomes more intensive. Trade discounts are minimal if resellers show a strong interest in the product.
- **Promotion -** Increased advertising to build brand preference.

Marketing Strategy during Growth stage: At the product level, the line expands by making available products with differing features, and at different prices. the main focus now is on creating meaningful and persuasive differentiation relative to other competing brands in the category. The prices tend to decline, more so during competitive turbulence period because of price competition. Generally price differences among different brands narrow down. Promotion expenditure cover advertising, sales promotion, personal selling etc.apart from this companies try to develop their distribution channel also.

4. Maturity Stage : The maturity stage in the PLC is a key point for a firm because it marks the turning point in the product's success. Typically, the growth in sales decreases quite significantly and manufacturer's over-capacity (that is, larger than required inventories) results in a reaction by the firm and its competitors to slash prices. Whilst this prolongs the maturity stage and the total number of sales for some time, the drop in prices has an adverse effect on the product's profitability, and profit level, whilst still positive, starts a downward slide. Many firms, especially single-product firms, will look to every possible marketing management technique known to revitalize product sales, whether this involves starting new users or market segments, or making significant modifications to the product, perhaps improving its quality, reliability or some aesthetic feature. Companies such as HERSHEY'S have managed to prolong this stage considerably through intelligence branding, promoting the fact that their chocolate bars are "unchanged since 1899". Indeed, whilst Coca-Cola manages to increase global sales through entry into additional markets, many of its core products have remained the same over significant periods; it has just been their branding that has changed.

Ultimately, the maturity stage becomes the key turning point for companies because at some point during this period, sales will start to decrease and potentially never experience positive growth again. In most cases this eventually leads to the decline stage during which time the product's sales drop significantly and in some cases, rapidly, with profits continuing to fall until profitability becomes so low that the product is discontinued or company leaves sales to continue but accepts that the product has passed its core selling years. During this stage, a few laggards adopt the product but these are rarely a profitable customer group. Such a decline may be the result of technological developments, changes in consumer purchasing behaviour or significant increases in competition. In the case of the latter, international products may suffer from the loss of a patent license or import protections that have otherwise kept a product's sales high long after its offering became relatively uncompetitive.

As such, barriers to entry decrease; products may be substituted by cheap imports that benefit from lower costs of production and an established distribution network. During this period, firms in more advanced nations tend to refocus their efforts on creating new, high-value, technology-backed products that can again achieve a high price and start another PLC for the company .

During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include:

- **Product -** Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced.
- **Price -** Possible price reductions in response to competition while avoiding a price war.
- **Place -** New distribution channels and incentives to resellers in order to avoid losing shelf space.
- **Promotion -** Emphasis on differentiation and building of brand loyalty. Incentives to get competitors' customers to switch.

Marketing strategy during Maturity Stage :

In this stage if the decline is slow and exist barrier are low, prices tend to remain stable because there are still some enduring profitable segments, customers are fragmented and weak in bargaining power, and there are only few single product competitors .In case the exist barriers are high and decline is fast and erratic, price -cuts are stiff.

The marketing mix may be modified as follows:

- **Product -** The number of products in the product line may be reduced. Rejuvenate surviving products to make them look new again.
- **Price -** Prices may be lowered to liquidate inventory of discontinued products. Prices may be maintained for continued products serving a niche market.
- **Place -** Distribution becomes more selective. Channels that no longer are profitable are phased out.
- **Promotion -** Expenditures are lower and aimed at reinforcing the brand image for continued products.

5. Decline Stage : At this point there is a downturn in the market. For example more innovative products are introduced or consumer tastes have changed. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing spend and cost cutting

Marketing Strategies during decline stage:

During the decline phase, the firm generally has three options:

- Maintain the product in hopes that competitors will exit. Reduce costs and find new uses for the product.
- Harvest it, reducing marketing support and coasting along until no more profit can be made.
- Discontinue the product when no more profit can be made or there is a successor product.

8.6 Product Life Cycle Analysis

The term "life cycle" implies a well-defined life cycle as observed in living organisms, but products do not have such a predictable life and the specific life cycle curves followed by different products vary substantially. Consequently, the life cycle concept is not well-suited for the forecasting of product sales. Furthermore, critics have argued that the product life cycle may become self-fulfilling. For example, if sales peak and then decline, managers may conclude that the product is in the decline phase and therefore cut the advertising budget, thus precipitating a further decline.

"Not all products follow the classic introduction, growth, maturity and decline cycles. Some products are able to find ways to re-invest themselves at the end of their growth stage or before they witness the negative side of the maturity stage. In doing so, they achieve what Kotler and Keller (2006) call a scalloped pattern. As a classic example, they point to nylon sales which have found numerous need users, such as car tyre is, carpeting, hosiery, parachutes and shirts, amongst others. For example, companies such as Levi's have managed to re-invent their jeans brand through the use of different fabrics and cuts that have given their product a new, youthful look. In addition to those variations to the common PLC, the concept can also be used to describe (1) fads, (2) fashion, and (3) style.

Fads are fashions that are introduced and adopted very quickly, but just as quickly they fall. They typically have a limited following, but are nonetheless adopted with real zeal, such as the hula-hoop. Fashions grow more slowly but still quite quickly before eventually witnessing a decline. However, in some cases these become a style; that is, they come back into fashion. For example, Beanies and Yo-Yos were in fashion during the 1950s and 1960s respectively before largely dropping off the radar until the 1990s when both products witnessed a revival (Kotler et al., 1996; Kotler and Keller, 2006).

PLC analysis can be used both proactively and retrospectively. Proactively, companies need to assess how they think that their product will perform through its PLC and the marketing strategies and marketing mix that should accompany each stage. After all, a company should aim to prolong the growth stage of its product and look at ways of revitalizing the product during its maturity stage. However, firms should assess how they are going to do this well before they reach each stage. The proactive approach is particularly useful for market pioneers, such as Amazon.com, Coca-Cola and Hallmark because they are often not only introducing a new product, but also creating a whole new market. Alternatively, the PLC can be used as a retrospective tool to assess when a firm should enter an existing market with a new product. This is important because firms need to examine what marketing strategies and marketing mix will enable them to differentiate their product offering from those of existing firms. If implemented effectively, imitators and later entrants can make significant inroads into a market and, in some cases, overtake incumbents. Classic examples include Compaq, Dell and Gateway.

8.7 Implications of Product Life Cycle

Product life cycle concept shows a framework to spot the occurrence of opportunities and threats in a product market and the industry. This concept can help firms to reassess their objectives, strategies and different elements of marketing programme.

When a firm is launching a new product it requires investment of considerable resources, and most companies have no contend with substantial short-term losses. During the growth stage, sales rise rapidly and competition increases and large investment are required. The company that captures largest share of the market should have lowest per unit cost because of economies of scale and experience .If the market leader reduces the price, it discourages aspiring new entrants and low share firms. Thus a PLC can be very helpful for a firm while launching or rather taking any decision in any phase of the product life cycle.

On the other hand the major weakness of product life cycle concept is that it is prescriptive in nature and focuses on strategies based on assumption about different life cycle stages. Apart form this, it is difficult to tell what stage the product is in.A product may seem to have reached the maturity stage but it might be a temporary phase before it takes another upsurge.

8.8 Summary

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retailing, products are called merchandise. In manufacturing, products are purchased as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but a commodity can also be anything widely available in the open market. In project management, products are the formal definition of the project deliverables that make up or contribute to delivering the objectives of the project. Products can be classified as tangible or intangible. A tangible product is any physical product that can be touched like a computer, automobile, etc. An intangible product is a non-physical product like an insurance policy. A product line is “a group of products that are closely related, either because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.” Many businesses offer a range of product lines which may be unique to a single organization or may be common across the business’s industry. In 2002 the US Census compiled revenue figures for the finance and insurance industry by various product lines such as “accident, health and medical insurance premiums” and “income from secured consumer loans”. Within the insurance industry, product lines are indicated by the type of risk coverage, such as auto insurance, commercial insurance and life insurance

8.9 Key words

- **Product Development:** a growth strategy in which the firm develops new products for existing markets.
- **Product Extension:** the introduction of a product that is known to the company but which has features or dimensions which are new to consumers; three types of product extensions are possible: revisions, additions and repositionings.
- **Product Item:** a product variant with its own distinctive attributes (price, packaging, etc.); also called a Stock-Keeping Unit and a Stock-Taking Unit.
- **Product Life Cycle:** a concept which draws an analogy between the span of a human life and that of a product, suggesting that, typically, a product’s life consists of four stages - introductory, growth, maturity and decline; the concept is used as a tool to formulate marketing strategies appropriate to each of the stages.
- **Product Line:** a group of products manufactured or distributed by an organisation, similar in the way they produced or marketed; for example, Gillette markets a line of razors and blades, a line of toiletries, a line of pens and a line of cigarette lighters.
- **Product Line Extension:** adding depth to an existing product line by introducing new products in the same product category; product line extensions give customers greater choice and help to protect the firm from a flanking attack by a competitor.
- **Product Line Featuring:** a strategy in which certain items in a product line are given special promotional attention, either to boost interest (at the lower end of the line) or image (at the upper end).
- **Product Line Filling:** introducing new products into a product line at about the same price as existing products.
- **Product Line Length:** the number of different products in a product line.
- **Product Line Modernisation:** strategy in which items in a product line are modified to suit modern styling and tastes and re-launched.
- **Product Line Pruning:** reducing the depth of a product line by deleting less profitable offerings in a particular product category.
- **Product Line Stretching:** introducing new products into a product line.

- **Product Mix:** the variety of distinct product lines and items manufactured or distributed by an organization.
- **Product Mix Consistency:** the degree of closeness or relatedness between product lines in the product mix.
- **Product Mix Width:** the number of distinct product lines manufactured or distributed by an organization.
- **Product Modification:** any substantial change made to the attributes (size, shape, colour, style, price, etc.) of a product; modification of a product is usually undertaken in an attempt to revitalize it in order to increase demand.

8.10 Self Assessment Test

1. Define Product. Explain marketing implications for the various categories of the product
2. Define PLC .Explain PLC with special references to their managerial implication.
3. Write short note on :
   1. Line pruning
   2. Line stretching
   3. Line modernizing

8.11 Reference Books

- Rogers, E. M. (1995). Diffusion of Innovations. New York, The Free Press.

  (different groups of innovation adopters, the diffusion and adoption process over time, etc.).
- Cooper, R. G. (1993). Winning at New Products : Accelerating the Process from Idea to Launch. Reading, Mass., Addison Wesley. Based on extensive empirical research.
- Tidd, J., J. Bessant, et al. (2005). Managing Innovation: Integrating Technological, Market and Organizational Change, 3rd Edition Chichester, Wiley.

Unit -9 : Branding

Unit Structure

9.0 Objectives

After studying this unit you should be able to understand:

- The concept, meaning and significance of branding
- Branding policy and decisions
- The brand building process
- The issues in branding

9.1 Introduction

Products are what companies make, but customers buy the brands and therefore, marketers resort to branding in order to distinguish their offering from similar products and services provided by their competitors. Additionally, it carries an inherent assurance to the customers that the quality of a purchase will be similar to earlier purchases of the same brand.

The branding of a product is like namley a new born child at it basically serves to identify the new kid. Since the early times, producers of goods have used their brands or marks to distinguish their products. Pride in their products has no doubt played a part in this. More particularly, by identifying their products they have provided purchasers with a means of recognizing and specifying them, should they wish to repurchases or recommend the products to others,

Branding has been around for centuries as a means of distinguishing the goods of one producer from those of another .In fact, the word brand is derived from the old Norse word "brandr" which means to burn. As brand were and still are the means by which owners of livestock mark their animals to identify them.

The use of brands has developed considerably, especially in the last century. Indeed, the words ‘brand’ and branding are now such common currency that their original meaning is in danger of being wreaked. However the function of a brand as distinguishing the goods of one produce from those of another and of thus allowing consumer freedom of choice has remained unaltered.

The word **“Branding”** immediately reminds us of Sony, Samsung, Whirlpool, L.G., Reliance, Tata, The Times of India, Raymond’s, Coco-cola and many others. It is commonly felt that the brand is related with the big corporates only, but the fact is something else. Even the street tailor or the namkeen wala needs Branding. Because it is the only way through which these people can survive in present highly competitive market.

Buying decisions of the consumers up to a great extent are based on brand perception. Branding has a unique and vital role in the effective marketing of products. A brand is associated with a familiar logo. Whenever we come across this logo, we think of the brand and the whole value package it represents and the promise it carries. This is the way it is supposed to work. A brand starts as a product and a name. But much can be built on that name.

Definitions :

A brand by definition, is a short hand description of a package of value, on which consumers can rely to be consistently the same or better over a period of time . A brand distinguishing a product or services from competitive offering

Branding is the process by which a marketer tries to build a long term relationship with the customers by learning their needs and wants so that the offering(Brand) could satisfy their mutual aspirations. Branding can be viewed as a tool to position a product or a services, with a consistent image of quality and value for money, to ensure the development of a recurring preferences by the consumer.

According to American marketing association(AMA) a brand is a name ,term ,sign ,symbol or design or a combination of them ,intended to identify the goods and services of one seller or group of seller and to differentiate them form those of competition.

David Ogilvy defines brand as “the consumer idea of a product”. A brand distinguishes a product or services from similar offering on the basis of unique features perceived by the consumers. The best examples of brand names are Lux, Liril, Rexona, Evita, Hamam in case of toilet Soap, Surf and Nirma in case of detergent and Nivea, Charmis and Fair and Lovely in case of vanishing cream other examples of successful brand are ; Sunsilk, Surf , Wheel, Brooke bond, Ponds etc.

According to Al Ries and Laura Ries(1998), “a brand is a singular idea or concept that you own inside the mind of the prospect.” A commonly accepted definition by David Aaker is “ A brand is distinguishing name and /or symbol such as a logo, trademark or package design intended to indentify goods or services of either one seller or group of seller and to differentiate those from competitor. Technically whenever a marketer creates a new logo or symbol for a new product, he or she has created brand. A brand is therefore a product but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need. Ultimately a brand is something that resides in the minds of consumer.

From the analysis of above definitions the following characteristics may be identified with regard to brand:

- It is the name of the product.
- It includes any symbol, term, design or a combination of them.
- It is used for the purpose of identification of marketer’s products or services.

- It is used to differentiate the products or services from those of competitors.
- Brand name is vocalized part of brand and has its own personality.
- When name is registered, it becomes trade mark.

9.2 Evolution of Brands

Branding is the technique of marketing process to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with competing products more favorable. It may also enable the manufacturer to charge more for the product. Thus the value of the brand is determined by the amount of profit it generates for the manufacturer. This can result from a combination of increased sales and increased price, and/or reduced COGS (cost of goods sold), and/or reduced or more efficient marketing investment. All of these enhancements may improve the profitability of a brand, and thus, "Brand Managers" often carry line-management accountability for a brand's P&L (Profit and Loss) profitability, in contrast to marketing staff manager roles, which are allocated budgets from above, to manage and execute. In this regard, Brand Management is often viewed in organizations as a broader and more strategic role than Marketing alone.

Although connected with the history of trademarks and including earlier examples which could be deemed "protobrands" (such as the marketing puns of the "Vesuvinum" wine jars found at Pompeii), brands in the field of mass-marketing originated in the 19th century with the advent of packaged goods. Industrialization moved the production of many household items, such as soap, from local communities to centralized factories. When shipping their items, the factories would literally brand their logo or insignia on the barrels used, extending the meaning of "brand" to that of trademark. Bass & Company, the British brewery, claims their red triangle brand was the world's first trademark. Lyle's Golden Syrup makes a similar claim, having been named as Britain's oldest brand, with its green and gold packaging having remained almost unchanged since 1885. Cattle were branded long before this; the term "maverick", originally meaning an unbranded calf, comes from Texas rancher Samuel Augustus Maverick who, following the American Civil War, decided that since all other cattle were branded, his would be identified by having no markings at all. Even the signatures on paintings of famous artists like Leonardo Da Vinci can be viewed as an early branding tool.

Factories established during the Industrial Revolution introduced mass-produced goods and needed to sell their products to a wider market, to customers previously familiar only with locally-produced goods. It quickly became apparent that a generic package of soap had difficulty competing with familiar, local products. The packaged goods manufacturers needed to convince the market that the public could place just as much trust in the non-local product. Campbell soup, Coca-Cola, Juicy Fruit gum, Aunt Jemima, and Quaker Oats were among the first products to be 'branded', in an effort to increase the consumer's familiarity with their products. Many brands of that era, such as Uncle Ben's rice and Kellogg's breakfast cereal furnish illustrations of the problem.

Around 1900, James Walter Thompson published a house ad explaining trademark advertising. This was an early commercial explanation of what we now know as branding. Companies soon adopted slogans, mascots, and jingles that began to appear on radio and early television. By the 1940s, manufacturers began to recognize the way in which consumers were developing relationships with their brands in a social/psychological/anthropological sense.

From there, manufacturers quickly learnt to build their brand's identity and personality such as youthfulness, fun or luxury. This began the practice we now know as "branding" today, where the consumers buy "the brand" instead of the product. This trend continued to the 1980s, and is now quantified in concepts such as **brand value** and **brand equity**. Naomi Klein has described this development as "brand equity mania". In 1988, for example, Philip Morris purchased Kraft for six times what the company was worth on paper; it was felt that what they really purchased was its **brand name**.

Marlboro Friday: April 2, 1993 - marked by some as the death of the brand - the day Philip Morris declared that they were to cut the price of Marlboro cigarettes by 20%, in order to compete with bargain cigarettes. Marlboro cigarettes were notorious at the time for their heavy advertising campaigns, and well-nuanced brand image. In response to the announcement Wall street stocks nose-dived for a large number of 'branded' companies: Heinz, Coca Cola, Quaker Oats, PepsiCo. Many thought the event signalled the beginning of a trend towards "brand blindness" (Klein 13), questioning the power of "brand value".

Thus branding involves decisions that establish an identity for a product with the goal of distinguishing it from competitors' offerings. In markets where competition is fierce and where customers may select from among many competitive products, creating an identity through branding is essential. It is particularly important in helping position the product (see discussion of product position) in the minds of the product's target market.

While consumer products companies have long recognized the value of branding, it has only been within the last 10-15 years that organizations selling component products in the business-to-business market have begun to focus on brand building strategies. The most well-known company to brand components is Intel with its now famous "Intel Inside" slogan. Intel's success has led many other b-to-b companies and even non-profits to incorporate branding within their overall marketing strategy.

9.3 Levels of Brand

As we have discussed that a brand is a " name, term ,sign ,symbol or design or a combination of them ,intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition .In other sense, a brand is the proprietary, visual ,emotional ,rational and cultural image that one associates with a company or a product. It is always clubbed with a communication message, which it wants to be communicated to the consumers.

Levels of Brand :-

As Brand can also be considered in terms of four levels:

- **i. Generic :** It is the commodity level which satisfies the basic needs such as transportations. It is so easy to imitate a generic product. A brand continues to add values so as to reach the expected level
- **ii. Expected** : generic is modified to satisfy some minimum buying conditions such as functional performance, pricing, availability etc.
- **iii. Augmented** : Brand is refined further by adding non functional values along with the functional ones. We may direct advertising to the social prestige, the possessor of the brand is likely enjoy.
- **iv. Potential** : As brand evolve ,we become more critical. Creativity plays an important role to grow up the brand to its full potential. If no creative effort is taken, there is s danger of the brand relapsing to its augmented or expected level.

Consumers are rarely prepared to pay a premium for products or services that simply deliver core benefits – they are the expected elements of that justify a core price. Successful brands are those that deliver added value in addition to the core benefits. These added values enable the brand to differentiate itself from the competition. When done well, the customer recognizes the added value in an augmented product and chooses that brand in preference. For example, a consumer may be looking for reassurance or a guarantee of quality in a situation where he or she is unsure about what to buy. A brand like Mercedes, Sony or Microsoft can offer this reassurance or guarantee.

Alternatively, the consumer may be looking for the brand to add meaning to his or her life in terms of lifestyle or personal image. Brands such as Nike, Porsche or Timberland do this. A brand can usefully be represented in the classic "fried-egg" format shown below, where the brand is shown to have core features that are surrounded (or "augmented") by less tangible features.

9.4 Significance of Branding

Branding generally communicates following aspects to enhance the brand image, personality and loyalty.

Thus, a brand communicates:

- Attributes
- Benefits
- Values
- Culture
- Personality
- Target User

- **Attributes:** Brands highlight the product attributes to inform existing customers and to attract potential customers. For example Style,Fashion,and high quality premium clothing are the attributes of the Raymond's.
- **Benefits :** As we know that customers buys the benefits rather than attributes thus the attributes eventually transform into emotional and functional benefits, for the brand to be successful. with the same example of Raymond's if we consider the above attributes ,style fashion and modernity will transform into emotional benefits, while high quality will transform into functional benefits like the consumers not having to spend frequently on clothes.
- **Values** : Most brands associate some value with themselves. for instances, the baseline of Raymond's The Complete Man,' communicates a value preposition that their clothing makes a man complete and perfect.
- **Culture :** Brands also represents a certain culture, again Raymond's projects a culture of family bonding (Father, son ,husband and wife) and no above all Indian ness in its advertisement.
- **Personality** : Further brand communicates a type of personality. Raymond's suggest that it is a brand for a man, who cares for his family, society, and himself.
- **Target user:** Brands clearly states their user segments. Raymond's a target the upper middle and upper class customers.

9.5 Features of a Branding

Selection of brand name is crucial for the success for the a brand. There were several factors that have to be considered before the brand is selected. thus it is necessary to ensure that the brand name should be acceptable ,pronounceable, memorizable and recognizable in the language of the target audience. A good brand name should possess as many of the following characteristics as possible.

- **It should be distinctive :** The market is filled with over-worked names and over used symbols. A unique and distinctive symbol is not only easy to remember but also is a distinguishing features. Adidas shoes and Kodak films are distinctive names.
- **It should be simple:** It is desirable to have short names which are easy to read, speek and understand. It should be easy to pronounce and spell. Tide and surf and examples of such names. With limited capacity to process names, consumers find it easy to encode short words in their words in their memory. Consumers even tend to shorten long names, e.g. Coco-Cola becomes Coke and Pepsi Cola, Pepsi. Even when consumers become emotionally involved with the brand, they shorten its name, e.g. Merc for Mercedes.
- **It should be meaningful** : brand name should be suggestive of quality, superiority or personality or such attributes. They should communicate consumer benefits .Creativity should be encouraged. Promise is suggestive of an assurance of toothpaste. VIP classic for travel wares of a superior quality for distinctiveness class of people.
- **It should be flexible:** In a hanging market ,a brand name should be flexible and should adopt to the new situation of changing market needs. Thus Caterpillar tractor dropped tractor from the brand names to diversify into earth moving equipments. Videocon is not an nick name for washing machines and air-conditioners. Hotline is good for gas burners, but not for TV.
- **It should be registrable:** Brand name must be prosecutable under the Indian laws of TradeMark and copyright .There should be a search to confirm whether the chosen name is available.
- **It should be universally valid** : While naming a brand, its geographically market must be considered. When limited to a nation with a homogeneous culture, it is easier to understand its cultural association . But when it goes to across the cultures, it is necessary to understand the culture diversity. Big Macs form Ma Donald's is Canadian slang for big breast.

Thus Brand name should be short listed. It is necessary to do some consumer research. There is debate and discussion. Then finally name is chosen. There should be regular audit of the name chosen. It may be necessary to change the name considering the changing environment. Further a brand name can be descriptive such as Close up, Frooti, Fair and Lovely or suggestive such as Pampers,surf or free-standing such as Xerox Kodak.

9.6 Advantages and Disadvantages of Branding

There are many advantages to company that build successful brands. Traditionally a brand provide following advantages to the company:

- Higher prices
- Higher profit margins
- Better distribution
- Customer loyalty

But apart from these a strong brand also offers many advantages and disadvantages to marketers and customers both these includes :

9.6.1 Advantages to Marketers :

(i) Customer recognition: Brands provide multiple sensory stimuli to enhance customer recognition. For example, a brand can be visually recognizable from its packaging, logo, shape, etc. It can also be recognizable via sound, such as hearing the name on a radio advertisement or talking with someone who mentions the product.

(ii) Brand Loyalty : Customers who are frequent and enthusiastic purchasers of a particular brand are likely to become brand loyal. Cultivating brand loyalty among customers is the ultimate reward for successful marketers since these customers are far less likely to be enticed to switch to other brands compared to non-loyal customers.

(iii) Effective positioning: Well-developed and promoted brands make product positioning efforts more effective. The result is that upon exposure to a brand (e.g., hearing it, seeing it) customers conjure up mental images or feelings of the benefits they receive from using that brand. When customers associate benefits with a particular brand, the brand may have attained a significant competitive advantage. In these situations the customer who recognizes the needs a solution to problem (e.g., needs to bleach clothes) may automatically think of one brand that offers the solution to the problem (e.g., Clorox). This "benefit = brand" association provides a significant advantage for the brand that the customer associates with the benefit sought.

(iv) Extension of brand image: Firms that establish a successful brand can extend the brand by adding new products under the same "family" brand. Such branding may allow companies to introduce new products more easily since the brand is already recognized within the market.

(v) Financial advantage: Strong brands can lead to financial advantages through the concept of Brand Equity in which the brand itself becomes valuable. Such gains can be realized through the out-right sale of a brand or through licensing arrangements.

9.6.2 Advantages and Disadvantage to buyers:

Advantages to buyers

(i) A brand name denotes uniform quality. With it the consumers has the assurance of quality when he buys the products having a particular name.

(ii) Brand names make shopping easier. The customer has to spend less time and energy in buying as brand names make product identification easier. More over, the customer has to go to the market and buy the products for the brands he prefers without wasting time.

(iii) Purchasing a socially visible brand gives immense psychological satisfaction to the buyer.

(iv) Competition among brands can and does, in due course of time, lead to quality improvement.

Disadvantages to buyers :

(i) The product price tends to go up.

(ii) Manufactures, taking advantages of the popularity of their brand names, may reduce the quality gradually.

(iii) Branding creates confusion. Consumers are not able to decide which brand is the best in quality, because all the brands claim to be best ever in quality.

9.7 Branding Policy

Major branding policies may be discussed under following heads:

(i) Non Branding Policy:

as name suggests under this policy the marketing company opts not to use a brand name for its products. Marketing company use this policy when conducive conditions for branding is not prevailing. In this situation the marketing company sells its products without using brand name.

(ii) Individual Branding Policy :

This is also known as multi branding , in this policy the marketing company adopts distinctive brand name for each of its products. For example **HLL and Nestle,** which are the mega multi-national companies generally, use individual branding for their products. Individual branding has certain advantages and disadvantages also:

Advantages of Individual Branding :

1. The personality of each brand can be generated through superior promotional campaign for distinctive characteristics of each product.
2. Failure of any brand does not make any effect on other brands.
3. Company can acquire large sales with so many individual brands.
4. Individual branding provides enormous help in maintaining overall profitability; because decline in sales of one brand can be offset by growth of sales of another brand.

Disadvantages of Individual Branding :

1. The use of individual branding requires huge funds to promote each brand separately in the target market.
2. Not only to promote, but funds are continuously required for maintenance and growth of all brands.
3. It is uneconomical for small marketing companies.
4. It is also difficult to find suitable brand names, where the product-mix of the firm is very large.

(iii) Family Branding Policy :

This is also known as umbrella branding. In this family branding policy the marketing company generally use single brand for its entire product-mix. The firm may adopt different branding approaches for its different product lines. For example Tata, Godrej, Bata,Videocon, BPL etc.

Advantages of Family Branding :

1. The market acceptance of a new product becomes easier due to already earned image and reputation of the marketing company.
2. Family branding increase the speed of product adoption, because customers do not hesitate in buying the new product of their trusted company.
3. Promotional cost arer very low as number of products may be advertised simultaneously.
4. This branding policy provides co-operation form the members of channels of distribution .Retailers find it easier to push new products having a popular brand name.

Disadvantages of Family Branding:

1. Under this policy it becomes difficult to develop an individual personality for the each brand.
2. Products offered under the family brand name have to maintain equal quality standards, which is not an easy task.
3. Negative brand image of one product can make adverse impact on the other products of the company

(iv) Combination Branding Policy :

This also known as mixed branding; in this policy company markets some products by their own brands and hands over the remaining part to middlemen for branding. A combination brand name brings together a family brand name and an individual brand name. The idea here is to provide some association for the product with a strong family brand name but maintaining some distinctiveness so that customers know what they are getting. Examples of combination brand names include Microsoft XP and Microsoft Office in personal computing software and Heinz Tomato Ketchup and Heinz Pet Foods.

9.8 Branding Decisions

Branding strategy start from the decision whether to put the brand name on a product or not. It is usually believed that for homogeneous and non differentiated products. Branding does not make sense.Salt was previously considered a generic product till Tata started branding it as Tata salt .Now the market is flooded with branded salt. Similarly sugar a non differentiated product may well become a branded product soon. Previously we also knew Bharat Sanchar Nigam Limited (BSNL) as only telecom services provider, now the market is replete with telecom service providers such as Idea Reliance,Vodafone, Airtel and Tata Telecom. Even branding is slowly catching up in the staple food markets,too ,where rice ,vegetable ,bread are branded into packaged of local /global chain retailers like Walmart and Food world.

Branding poses several challenges to the marketer. The first is whether or not to brand, the second is how to handle brand sponsorship, the third is choosing a brand name, the fourth is deciding on brand strategy, and the fifth is whether to reposition a brand later on.

1. To Brand or Not to Brand?

The first decision is whether the company should develop a brand name for its product. Branding is such a strong force today that hardly anything goes unbranded, including salt, oranges, nuts and bolts, and a growing number of fresh food products such as chicken and turkey. In some cases, there has been a return to **"no branding"** of certain staple consumer goods and pharmaceuticals. *Generics* are unbranded, plainly packaged, less expensive versions of common products such as spaghetti or paper towels. They offer standard or lower quality at a price that may be as much as 20 percent to 40 percent lower than nationally advertised brands and 10 percent to 20 percent lower than retailer private-label brands. The lower price is made possible by lower-quality ingredients, lower-cost labeling and packaging, and minimal advertising.

Sellers brand their products, despite the costs, because they gain a number of advantages: The brand makes it easier for the seller to process orders; the seller's brand name and trademark legally protect unique product features; branding allows sellers to attract loyal, profitable customers and offers some protection from competition; branding helps the seller segment markets by offering different brands with different features for different benefit-seeking segments; and strong brands help build the corporate image, easing the way for new brands and wider acceptance by distributors and customers.

Distributors and retailers want brands because they make the product easier to handle, indicate certain quality standards, strengthen buyer preferences, and make it easier to identify suppliers. For their part, customers find that brand names help them distinguish quality differences and shop more efficiently.

2. Brand-Sponsor Decision :

A manufacturer has several options with respect to brand sponsorship. The product may be launched as a manufacturer brand (sometimes called a national brand), a distributor brand (also called reseller, store, house, or private brand), or a licensed brand name. Another alternative is for the manufacturer to produce some output under its own name and some under reseller labels. Kellogg, John Deere, and IBM sell virtually all of their output under their own brand names, whereas Whirlpool produces both under its own name and under distributors' names (Sears Kenmore appliances).

Although manufacturers' brands dominate, large retailers and wholesalers have been developing their own brands by contracting production from willing manufacturers. Sears has created several names—Diehard batteries, Craftsman tools, Kenmore appliances—that command brand preference and even brand loyalty. Retailers such as The Body Shop and Gap sell mostly own-brand merchandise. Sainsbury, Britain's largest food chain, sells 50 percent store-label goods, and its operating margins are six times those of U.S. retailers (U.S. supermarkets average 19.7 percent private-brand sales).

Why do middlemen sponsor their own brands? First, these brands are more profitable, since they are produced at a low cost by manufacturers with excess capacity. Other costs, such as research and development, advertising, sales promotion, and physical distribution, are also much lower. This means that the private brander can charge a lower price and yet make a higher profit margin. Second, retailers develop exclusive store brands to differentiate themselves from competitors. In years past, consumers viewed the brands in a category arranged in a brand ladder, with their favorite brand at the top and remaining brands in descending order of preference. There are now signs that this ladder is being replaced with a consumer perception of brand parity—that many brands are equivalent. Instead of a strongly preferred brand, consumers buy from a set of acceptable brands, choosing whichever is on sale that day.

Today's consumers are also more price sensitive, because a steady barrage of coupons and price specials has trained them to buy on price. In fact, over time, companies have reduced advertising to 30 percent of their total promotion budget, weakening brand equity. Moreover, the endless stream of brand extensions and line extensions has blurred brand identity and led to a confusing amount of product proliferation. Further, consumers see little difference in quality among brands now that competing manufacturers and retailers are copying and duplicating the qualities of the best brands.

Of course, one of the factors that is changing the entire branding landscape is the Internet. While some "born digital" companies like America Online (AOL) and Amazon.com have used the Internet to gain brand recognition seemingly overnight, other companies have poured millions of dollars into on-line advertising with little effect on brand awareness or preference. For some low-price, low-involvement products, such as soap, the Internet offers little potential as a commerce vehicle. Still, the packaged-goods powerhouses are trying different approaches to Web marketing.

Procter & Gamble, for example, has put much of its on-line marketing budget behind brands like Always panty liners, Tampax tampons, and Pampers diapers, which have narrow target audiences with more personal subject matter. With this strategy, the company has turned Pampers.com into Pampers Parenting Institute, reaching out to customers by addressing various issues of concern to new or expectant parents.

All companies that have powerful brand awareness on the Web have sites that help customers do something—whether it's configuring a computer system on-line at Dell.com or offering customization options for services at Yahoo.com. Yet some of the biggest superstars of e-commerce conduct most of their branding efforts off-line: Cisco advertises in business publications, while Dell advertises in tech trade magazines and on television.

AOL, like many high-tech companies, has been adept at achieving solid brand recognition through less conventional marketing approaches. Today, over half of all U.S. households are familiar with AOL brand. That's because AOL has blanketed the country for years with free software and free trial offers. The company has also cut deals to put its product in some unlikely places: inside Rice Chex cereal boxes, United Airlines in-flight meals, and Omaha Steaks packages, to name a few. AOL's marketers believe that novices need to try the service to appreciate its benefits. Then, once consumers start using AOL, the company reasons that the user-friendly program will lure them to subscribe. Also on AOL's side is sheer inertia, which prevents many people from switching to another Internet service provider.

3. Brand-Name Decision :

Manufacturers and service companies who brand their products must choose which brand names to use. Once a company decides on its brand-name strategy, it must choose a specific brand name. The company could choose the name of a person (Honda, Estée Lauder), location (American Airlines, Kentucky Fried Chicken), quality (Safeway, Duracell), lifestyle (Weight Watchers, Healthy Choice), or an artificial name (Exxon, eBay). Among the desirable qualities for a brand name are the following:

- It should suggest something about the product's benefits. Examples: Beauty-rest, Priceline.com
- It should suggest product qualities. Examples: Spic and Span, Jiffy Lube
- It should be easy to pronounce, recognize, and remember. Examples: Tide, Amazon.com
- It should be distinctive. Examples: Kodak, Yahoo!
- It should not carry poor meanings in other countries and languages. Example: Nova is a poor name for a car to be sold in Spanish-speaking countries because it means "doesn't go."

Many firms strive to build a unique brand name that eventually will become intimately identified with the product category. Examples are Frigidaire, Kleenex, Kitty Litter, Levis, Jell-O, Popsicle, Scotch Tape, Xerox, and Fiberglas. In 1994, Federal Express officially shortened its marketing identity to FedEx, a term that has become a synonym for "to ship overnight." Yet identifying a brand name with a product category may threaten the company's exclusive rights to that name. For example, cellophane

Individual names General Mills (Bisquick, The firm does not tie its Gold Medal, Betty Crocker) reputation to the product's; if the product fails or seems low quality, the company's name or image is not hurt.

Blanket family names Campbell's, Heinz, General The firm spends less on Electric development because there is no need for "name" research or heavy ad spending to create brand-name recognition; also, product sales are likely to be strong if the manufacturer's name is good. Separate family names Sears (Kenmore for appliances, Where a firm offers quite for all products Craftsman for tools); Bank different products, separate One (Bank One for the family names are more physical branches, appropriate than one blanket WingspanBank.com for the family name. Internet-based bank) Company trade name Kellogg (Kellogg's Rice Krispies, The company name legitimizes with individual product Kellogg's Raisin Bran) while the individual name names individualizes each product.

Given the rapid growth of the global marketplace, successful companies and e-businesses are careful to choose brand names that are meaningful worldwide and pronounceable in other languages. One thing Compaq liked about the name Presario for its line of home computers is that it conjures up similar meanings in various Latininfluenced languages. In French, Spanish, Latin, or Portuguese, Presario has the same, or similar, association that it does in English: It suggests an "Impresario," the magical master of the whirl and fantasy of a stage production.

4. Brand Strategy Decisions :

A company has five choices when it comes to brand strategy. The company can introduce

- **Line extensions :** (existing brand name extended to new sizes or flavors in the existing product category),

- **Brand extensions :** (brand names extended to new-product categories),
- **Multibrands :** (new brand names introduced in the same product category), *new*
- **New Brands :** (new brand name for a new category product), and *co-brands* (brands bearing two or more well-known brand names).

• **Line Extensions :** Line extensions introduce additional items in the same product category under the same brand name, such as new flavors, forms, colors, added ingredients, and package sizes. Dannon introduced several Dannon yogurt line extensions, including fat-free "light" yogurt and dessert flavors such as "mint chocolate cream pie." The vast majority of new products are actually line extensions.

Line extension involves risks and has provoked heated debate among marketing professionals. On the downside, extensions may lead to the brand name losing its specific meaning; Ries and Trout call this the "line-extension trap." A consumer asking for a Coke in the past would receive a 6.5-ounce bottle. Today the seller will have to ask: New, Classic, or Cherry Coke? Regular or diet? With or without caffeine? Bottle or can? Sometimes the original brand identity is so strong that its line extensions serve only to confuse and do not sell enough to cover development and promotion costs.

A line extension works best when it takes sales away from rivals, not when it deflates or cannibalizes the company's other items. On the upside, line extensions have a much higher chance of survival than do brand-new products. In fact, some marketing executives defend line extensions as the best way to build a business. Kimberly-Clark's Kleenex unit has had great success with line extensions. "We try to get facial tissue in every room of the home," says one Kimberly-Clark executive. "If it is there, it will get used." This philosophy led to 20 varieties of Kleenex facial tissues, including a line packaged for children.

• **Brand Extensions** : A company may use its existing brand name to launch new products in other categories. Autobytel.com, a pioneer of Internet-based car sales, used brand extensions to introduce automotive financing, insurance, and car repairs on its Web site. A recent trend in corporate brand-building is corporations licensing their names to manufacturers of a wide range of products—from bedding to shoes. Harley- Davidson, for example, uses licensing to reach audiences that are not part of its core market, with branded armchairs for women and branded a Barbie doll for the future generation of Harley purchasers.

Brand-extension strategy offers many of the same advantages as line extensions— but it also involves greater risks. One risk is that the new product might disappoint buyers and damage their respect for the company's other products. Another is that the brand name may be inappropriate to the new product—consider Bic perfume, a classic failure because buyers did not associate the Bic brand with fragrance products. A third risk is brand dilution, which occurs when consumers no longer associate a brand with a specific product or highly similar products.

• **Multibrands :** A company will often introduce additional brands in the same product category. Sometimes the firm is trying to establish different features or appeal to different buying motives. Multibranding also enables the company to lock up more distributor shelf space and to protect its major brand by setting up flanker brands. For example, Seiko uses one brand for higher-priced watches (Seiko Lasalle) and another for lower-priced watches (Pulsar) to protect its flanks. Ideally, a company's brands within a category should cannibalize the competitors' brands and not each other. At the very least, net profits from multibrands should be larger despite some cannibalism.

- **New Brands :** When a company launches products in a new category, it may find that none of its current brand names are appropriate. If Timex decides to make toothbrushes, it is not likely to call them Timex toothbrushes. Yet establishing a new brand name in the U.S. marketplace for a mass-consumer-packaged good can cost anywhere from $50 million to $100 million, making this an extremely critical decision.
- **Co-brands :** A rising phenomenon is the emergence of co-branding (also called dual branding), in which two or more well-known brands are combined in an offer. Each brand sponsor expects that the other brand name will strengthen preference or purchase intention. In the case of co-packaged products, each brand hopes it might be reaching a new audience by associating with the other brand. Co-branding takes a variety of forms. One is ingredient co-branding, as when Volvo advertises that it uses Michelin tires or Betty Crocker's brownie mix includes Hershey's chocolate syrup. Another form is same-company co-branding, as when General Mills advertises Trix and Yoplait yogurt. Still another form is joint venture co-branding, as in the case of General Electric and Hitachi lightbulbs in Japan and the MSNBC Web site from Microsoft and NBC. Finally, there is *multiple*-sponsor co-branding, as in the case of Taligent, a technological alliance of Apple, IBM, and Motorola. Many manufacturers make components—motors, computer chips, carpet fibers—that enter into final branded products, and whose individual identity normally gets lost. These manufacturers hope their brand will be featured as part of the final product. Intel's consumer-directed brand campaign convinced many people to buy only PCs with "Intel Inside." As a result, many PC manufacturers buy chips from Intel at a premium price rather than buying equivalent chips from other suppliers.

5. Brand Repositioning:

However well a brand is currently positioned, the company may have to reposition it later when facing new competitors or changing customer preferences. Consider 7-Up, which was one of several soft drinks bought primarily by older people who wanted a bland, lemon-flavored drink. Research indicated that although a majority of soft-drink consumers preferred a cola, they did not prefer it all of the time, and many other consumers were noncola drinkers. 7-Up sought leadership in the noncola market by call Packaging and Labeling itself the Uncola and positioning itself as a youthful and refreshing drink, the one to reach for instead of a cola. Thus, 7-Up successfully established itself as the alternative to colas, not just another soft drink.

9.9 Brand Equity

A brand is an intangible asset for organization. The concept of brand equity originated in order to measure the financial worth of this significant, yet intangible entity. Brand equity is one of the popular and potentially important concepts in making the emerged in the 1980s.It have raised the importance of the brand in marketing strategy.

Brand equity is defined as the main concern in brand management and IMC campaign. Every marketer should pursue the long term equity and pay attention to every strategy in detail. Because a small message dissonance would cause great failure of brand extension. On the other hand, consumer has his psychology process in mind. The moderating variable is a useful indication to evaluate consumer evaluation of brand extension.

Throughout the categorization theory and associative network theory, consumer does have the ability to process information into useful knowledge for them. They would measure and compares the difference between core brand and extension product through quality of core brand, fit in category, former experience and knowledge, and difficulty of making. some points about consumer evaluation of brand extension the as follows:

1. Quality of core brand creates a strong position for brand and low the impact of fit in consumer evaluation.
2. Similarity between core brand and extension is the main concern of consumer perception of fit. The higher the similarity is the higher perception of fit.
3. Consumer's knowledge and experience affect the evaluation before extension product trail.
4. The more innovation of extension product is, the greater positive fit can perceive. A successful brand message strategy relies on a congruent communication and a clear brand image. The negative impact of brand extension would cause a great damage to parent brand and brand family. From a manager and marketer's perspective, an operation of branding should maintain brand messages and associations within a consistency and continuum in the long way. Because the effects of negative impact from brand extension are tremendous and permanently. Every messages or brand extension can dilute the brand in nature.

David A .Aaker defines brand equity in the following words :

" Brands have equity because they have high awareness many loyal consumers ,a high reputation for perceived quality, proprietary assets such as access to distribution channels or to agents, or the kind of brand association (such as personality association)"

In other words we can say that set of assets and liabilities of a organization is known as brand equity. Brand equity comprises the following elements:

1. **Brand awareness:** Awareness of the brand name among target customer is the first step in the equity building process. Awareness essentially means that customer know about the existence of the brand, and also recall what categories the brand is in.
2. **Brand association:** Anything that connected to the customer's memory about the brand is an association .Customers from association on the basis of quality perception, their interactions with employees and the organization, advertisements of the brand,price points at which the brand is sold, product categories that the brand is in ,product displays in retail stores, publicity in various media, offering of competitors ,celebrity association and from what others tell them about the brand.
3. **Perceived quality:** Perceived quality is also a brand association, though because of its significance, it is accorded a distinct status while studying brand equity. Perceived quality is the perception of the customers about the over all quality of a brand..
4. **Brand loyalty;** Brand loyalty is a consumer's preference to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features, images, or level of quality at the right price. This perception becomes the foundation for a new buying habit. Basically, consumers initially will make a trial purchase of the brand and, after satisfaction, tend to form habits and continue purchasing the same brand because the product is safe and familiar.
5. **Other proprietary brand assets:** Proprietary assets include patents, trademarks and channel relationship. These assets are valuable as they prevent competitors from attacking the company, and prevent erosion of competitive advantages and loyal customer base.

9.10 Summary

Brand management is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product. This may increase sales by making a comparison with competing products more favorable. It may also enable the manufacturer to charge more for the product. The value of the brand is determined by the amount of profit it generates for the manufacturer. This can result from a combination of increased sales and increased price, and/or reduced COGS (cost of goods sold), and/or reduced or more efficient marketing investment. Brand can be define as collection of experiences and associations attached to a company, organization, product or service; more specifically, brand refers to the concrete symbols such as a name, logo, slogan, and design scheme. A brand is a symbolic embodiment of all the information connected to a company, organization, product or service.brand often includes explicit logos, fonts, color schemes, symbols, sound which may be developed to represent implicit values, ideas, and even personality. Further the brand, and "branding" and brand equity have become increasingly important components of culture and the economy, now being described as "cultural accessories and personal philosophies". In non-commercial contexts, the marketing of entities which supply ideas or promises rather than product and services (e.g. political parties or religious organizations) may also be known as "branding".

9.11 Key Words

- **Brand :** A **brand** is a collection of experiences and associations attached to a company, organization, product or service; more specifically, brand refers to the concrete symbols such as a name, logo, slogan, and design scheme.
- **Brand Management:** Is the application of marketing techniques to a specific product, product line, or brand. It seeks to increase the product's perceived value to the customer and thereby increase brand franchise and brand equity
- **Brand image**: is a symbolic construct created within the minds of people and consists of all the information and expectations associated with a product or service.
- **Brand Identity:** Brand identity may be defined as simply the outward expression of the brand, such as name and visual appearance. Some practitioners however define brand identity as not only outward expression (or physical facet), but also in terms of the values a brand carries in the eye of the consumer.
- **Brand Personality:** Brand personality is the attribution of human personality traits to a brand as a way to achieve differentiation. Such brand personality traits may include seriousness, warmth, or imagination. Brand personality is usually build through long-term marketing, as well as packaging and graphics.
- **Brand Promise:** Brand promise is a statement from the brand owner to customers, identifies what consumers should expect from all interactions with the brand. Interactions may include employees, representatives, actual service or product quality or performance, communication etc.
- **Brand equity: Brand equity** or brand value measures the total value of the brand to the brand owner, and reflects the extent of brand franchise.

9.12 Self Assessment Test

1. What do you understand by branding ? Discuss the characteristics and significance of branding
2. Explain major brand policies available to marketers with suitable examples?

3. Define following terms:

• Brand Management

• Brand equity

• Brand association

2. Develop appropriate branding strategies for following products:

• Laptop

• Business Magazine

9.13 Reference Books

1. Product and Brand Management by Y.L.R Murthy.
2. Product and Brand Management by P.K. Sharma and R. Pareek.
3. Product and Brand Management by Kolter.

Unit- 10 : Packaging

Unit Structure

10.0 Objectives

After studying this unit you should be able to understand:

- Concept of Packaging
- Function of packaging
- Packaging criteria
- Decisions on Packaging
- Packaging as a marketing tool
- Package design and company brand image

10.1 Introduction

In modern times, packaging has become so important that it is called fifty. With increasing competition, marketers are turning to innovative packaging to gain a distinctive edge to their overall product offers. This is especially true in the marketing of consumer products like processed foods, soft drinks, toiletries, cosmetics and other personal care products. In such product categories, packaging has become a powerful marketing tool. Marketers are providing value-addition to the products and greater benefits to the consumers through the packaging route.

All consumer products we find in the market are sold either in a container or wrapper and the idea behind the use of container or wrapper is to store the product in the packed condition, protect the product from the environment and keep its vital attributes and features safe and also to protect the product from handling during its transportation. Another important aspect of using an attractive pack is to enhance its marketing appeal. Products like shampoo, soap, toothpaste, detergent, wrist watches, shoes, garments, food products are well packed in glossy printed containers or wrappers that the product appeals to the consumers and helps in making a favorable decision for the product or the brand. Thus, a package is a container or wrapper in which a product is enclosed, encased or sealed.

Packaging can be defined as an act of a designing and producing a suitable and attractive package for the product, to protect and safe delivery of the product to be sold in the market. However, there are many definitions of packaging, the two widely quoted are:

1. Packaging is the art, science and technology of preparing goods for transport and sales.
2. It may be defined as the means of ensuring the safe delivery of products to the ultimate consumer in sound conditions, at the minimum overall cost.

There is another definition which sets out to explain what packing is by saying what is does-"Packing must protect what it sells and sell what is protects". This adds to the first two definitions and is the important subject of sales appeal.

10.2 Functions of Packaging

Packaging, apart from adding marketing appeal has some very important primary functions to perform and failure of these functions may lead to either loss of product or damage to product and financial loss to the company. Packaging also plays an important role in product display and the shape of the packaging design is very crucial. It performs the following important functions:

I Utilitarian Functions :

Package performs a utilitarian function by retaining and enhancing the product value to consumers in the following ways:

1. **Protection of Product:** Package protects a product from deterioration due to moisture and sunlight, for instance tea, hygroscopic material like salt, chemicals, pharmaceutical products, food products, spilling oil or chemical in drums, liquid products in bottles leading to spoilage. Some time the product is to be protected from evaporation during transportation.
2. **Convenience in Product Usage:** It enhances convenience of product use by keeping it clean and undisturbed.
3. **Product or Brand Identification:** It helps in easy brand identification. Brands like Coca Cola, Pepsi soft drink bottles, Dettol or Savlon bottle, Horlicks bottle, Fair & Lovely Skin Care, Colgate toothpaste, Nirma detergent and Lifebuoy soap - these can be easily identified by consumers and the retail people.
4. **Easy and Safe to Handle:** It makes product handling easier and safe on the retail store shelves. Hair oil, shampoo, medicines, and cornflakes can be safely and quickly handled in a well - packed container.

II Communication Function :

Packing performs the function of communication by becoming an important adjunct to the components of communication mix, namely through advertising and sales promotion such as:

1 It makes product's identification and differentiation both easy and effective. In a competitive market when differences in tangible products attributes are not conspicuous, it is the package's unique presentation that makes a product look different from competing brands. Different brands of hair oil, shampoo, detergent, soap, liquor have different design and colour of glass or plastic or paper containers resulting in easy identification and the package becomes an integral part of the total product. The consumers visualise the product along with the package and these days they prefer a good, appealing and attractive packaging.

2 Package features communicate product massage and motivate consumers to buy i.e., Liril soap and Kelloggs breakfast cereals, Keo Karpin hair oil and Dettol etc. This is particularly true for food and pharmaceutical products as the information and instructions on the label of the package focuses on important attributes or contents of the product and product application.

3. A change in product package design and message considerably facilitates implementation of product/ brand repositioning strategy of a company. This is particularly relevant for regular consumer products like baby powder, toothpaste, soaps, detergent, shampoo.
4. Package repeats the selling message printed on it before a consumer when it is repeatedly handled during a series of uses. This encourages repeat and replacement purchases. This is also true for househlod products and fast moving consumer products like Maggi Noodles, Lifebuoy liquid soap and Mobil car lubricants.
5. The product display at the dealer's shop becomes more relevant and useful and consumers are drawn towards products or brands occupying prominent shelf space like Lux, Liril, Lifebuoy soaps, Kelloggs.
6. It promotes products at the point of purchase and usually helps in the purchase decision process. New brands or products are easily identified by consumers leading to communication with the dealer and may result in ultimate purchase. New products like Philips electric shaver, 7'o' clock twin blades, Maggi tomato ketchup are some examples which are easy to see or locate at the point of purchase.

III Communication Functions

Purchase and marketing functions: At the other end of the chain, packaging is a part of marketing and must be considered at the start of any marketing plan. It will be seen that the packaging function is involved with many other functions within the company. Efficient communications are important because of the diverse disciplines represented in the packaging operation. They include, inter alia, chemistry, physics, engineering, marketing, design, law and accounting. Fig. 10.1 shows the departments with which the packaging department is regularly in contact.

Two of the major functions of packaging activity are purchasing and marketing. The purchasing function is responsible for all packaging purchases and because of this, it needs to be familiar with all work on development projects. Liaison with outside suppliers is also the main responsibility of the purchasing function. When personnel are involved in packaging work directly with external suppliers, they need to keep their company buyers fully informed.

During the initial stages of new product development the marketing and consumer research functions together with external designers, work with the packaging team to develop and assess package shape and surface design. Legal experts are called in to advise on the validity of pack copy and on matters affecting trademarks. On the technical side, development of the product, packaging and filling equipment involves liaison with the research and development and engineering functions. It will be seen, therefore, that to operate efficiently, the packaging man needs knowledge of the disciplines and techniques used in the departments with which he is in regular contact. Equally important, he needs to be able to communicate clearly, both verbally and in writing. Effectively designed packages sustain the cost of handling and transportation and protects product from transit damages or damages during handling and storage. Extra care has to be taken if the condition of roads and age of transport vehicle is old as they contribute to excessive transit damages.

IV Profit Functions:

Package also performs a profit functions in two ways:

1. Consumers assigning relatively higher value to a package are usually prepared to pay higher price for the product's attribute. As a result, higher contribution to profit flows from package. Food

products, cosmetics and other consumer products have cheap quality, medium quality, super quality or premium quality products and these products are packed in different type of packages, depending upon the price of the product and segment of the market to which it caters.

2. Effective package cuts cost of handling and transportation and protects product from damage, thereby saving a company from cuts in profits. Products are packed in cartons and are transported safely to their destined markets.

The consumer products are distributed to different territories and hence go through loading, unloading, transportation and stocking in godowns and all this handing gives a probability of loss of material or breakage of product and therefore, effective package reduces considerably incidence of breakage during handling and transportation. The higher loss of material or breakage during handling, transportation and storage result in dealer and consumer dissatisfaction also, which may affect sale of company's product. Therefore effective and good package avoids dilution of profit and customer satisfaction. This is relevant for table salt, tea or coffee, fertilizers and cement.

V Marketing Mix Function:

Package is an integral part of the product but good and effective packaging could give an added product or brand value and thereby improving the probability of the brand's sale. The effective package can tie the brand to the rest of the marketing strategy. Expensive perfume or a cosmetic product may be packed in crystal or classic designed glass bottle improving its storage appeal. Sometimes a good package gives firm more promotional affect than it could do with advertising. The package is seen in stores or retail outlets when customers are actually doing the buying activity. This is very relevant at the point of purchase sale. Therefore, some marketing experts feel packaging should be treated as the fifth 'P' of marketing mix and the package can bring in the much desired product differentiation. Therefore, it can act as an important input into the marketing effort and should be an equally significant element of marketing mix. A well-designed attractive packaging not only improves marketing appeals but give positive evaluation of the behaviour of the consumers. This is likely to improve sales turnover and give additional profit margin and may also result in higher market share.

10.3 Packaging Criteria

The final form of any package is influenced by many factors but logical packaging development can be achieved by considering various packaging criteria. There are basically seven important criteria:

1. Appearance
2. Protection
3. Functions
4. Cost
5. Disposability
6. Ecofriendly or biodegradable features
7. Marketing appeal

These are the main considerations when developing a pack. The relative emphasis placed on them depends on the product and on its marketing requirements. Some examples are listed below:

1. A cosmetic product; the most important criterion likely to be is appearance. For example, shampoo, perfume or hair oil.
2. Aerosol hair spray; the most important criterion is usage function.
3. Ethical pharmacy; the most important criterion is protection.
4. For buying one bottle of milk or soft drink, the most important criteria are cost and disposability.

This is not to say that the other criteria are ignored. For example, the most exotic cosmetic product must have some cost limitations attached to its packaging requirements and the most humble household product like edible oil or table salt will need to have some attention paid to its appearance. One thing is sure and that is disposability among consumers is growing in importance.

1. Appearance :

This criterion is growing in importance with the growth of supermarkets and cash and carry system. The appearance of a package is important for a number of reasons:

- It has to help in identifying the product throughout the distribution chain.
- It may have to carry instructions for use like liquid hair dye or an eye ointment.
- It may have to carry information about the contents in order to satisfy legal requirements (as with poisons, or with most foodstuffs or pharma products)
- It will usually carry the brand name and the name of the manufacturer or both.
- It can act as an important sales aid particularly for personal products.

The appearance of package is dependent on two main elements: shape and surface appearance. There are often conflicting requirements for package shape. On the one hand, the market requirements may be for a complex shape to fit the product image, whereas the retailer's requirements are for stability on stocking and efficient use of shelf space. One example of a special limitation is to provide positive identification in the dark.

Surface appearance may be achieved either by labeling or by direct printing on the package. An important aspect of appearance is that it must be durable. In the case of retail foods, this means that the appearance must still be attractive enough to sell goods as well as to identify them. In the case of industrial foods, the identification factor is often more important than sales appeal, but even here, any deterioration in appearance should be then avoided. The function of identification achieves paramount importance when the subject of packaging for the defence or telecom series is considered. If military equipment (ammunition, etc.) is wanted in a hurry, the packages must be capable of giving instant and positive identification. The other factor is that of time, packaging for the services is designed for long life (of the order of five years or more) and the identification must be equally long.

2. Protection :

Although protection may not always be the most important criterion for every packaging situation, it is requirement that is rarely completely absent. The protection required by the product will vary enormously with the nature of the product itself, the final destination, the distribution system and the total time that protection is required. Protection is normally required against two main hazards - chemical and physical.

Product Packaging and Material Compatibility: Chemical interaction between the product, and its container is undesirable. Not only it may lead to undesirable changes in the product, but it may cause a weakening of the container with consequent failure in service.

One of the most common examples of product package incompatibility is packaging of acidic or alkaline products in tin plate containers. Both types of interaction can be found in this situation. For example, certain detergents corrode tin plate and eventually cause leakage of the product. The answer is to prevent contact of the product and the tin plate by lacquering of the surface. This solution is more likely to be successful in the case of preventing deterioration of the product since even if pin holes or other imperfections occur in the lacquer, the area of contact will be very small, in relation to the volume of the product.

Some effects of product package incompatibility are more subtle than the ones just considered. It has been known for glass, which is normally considered to be extremely inert, to affect certain products. Aqueous liquids acquire an alkaline reaction very slowly when stored in glass and this can adversely affect certain alkali-sensitive drugged or transfusion liquids. Specially treated glass (suphated glass) is available for the packaging of such liquids.

Ingress of Liquids and Vapours: The packaging material is used to act as a barrier against any form of entry into the package. One of the commonest causes of product deterioration is water, either in the form of moisture or vapour. Many granular or powdered chemicals, for instance, cake badly under humid conditions, while others become extremely corrosive when damp. Paper is normally not a barrier to moisture or vapour but glass, tin plate and aluminium are. It should be remembered, incidentally, that even the best container is only as good as its closure or seal. The hazard of liquid ingressing may arise when a product is shipped through deck cargo or climatic to provide an outer, water-proof package using a plastics film or a varnished fiber-board case.

Many products require protection against the ingress of gases, particularly of oxygen. Fatty foods, for instance, get affected when the fat is oxidized. Also, many medicines are adversely affected by reaction with oxygen. Once again, the best barriers are glass and metals (subject to the provision of efficient closures). Some plastics have quite low permabilities of oxygen while others have high ones. The success of materials with an appreciable permeability will depend on external conditions, such as temperature and humidity and on the shelf life required.

Finally, many foodstuffs can be adversely affected by pick-up of external odours or flavours during transit and storage. The package therefore act as a barrier in such cases. Metal and glass are complete barriers but paper, board and plastics are not. Plastics vary a great deal in their permeability to odours and flavours but one of the highest permeabilities to essential oils (which constitute a high proportion of odours or flavours) is possessed by low-density polythylene. This material should not, therefore, be used alone where it is thought to be a real danger of odour or flavour pick-up, particularly if the product itself has only a slight odour or flavour of its own. Plastic coated paper material is widely used for such needs.

Loss of liquid or vapour can also lead to adverse changes in the product. Examples include the drying out of tobacco or cigarettes, loss of solvents from shoe polish (leading to hardening of the product), loss of flavour from foodstuffs and the loss of perfume from cosmetics. The problems are much the same as those discussed above and the types of barrier materials are the same. The provision of an efficient closure is equally important. The importance of leak proof mouth or pilfer proof guala cap is being seen these days.

Micro-organisms: Where the product is food or pharmaceutical which has to be sterilized (usually by heat) either prior to packaging or in package, then the function of the package is to prevent the ingress of fresh micro-organisms. Suitable packaging materials are tin plate, aluminum, glass and some plastics or plastic-coated paper or aluminum foil.

For dry foods which have not been sterilized the package has to prevent the increase of moisture which would subsequently promote microbial growth of organisms already present. The importance of efficient packaging in such instances cannot be overlooked. Apart from spoilage of the contents some bacteria produce toxins which can be deadly. It is not only edible products which have to be protected from attack by micro-organisms. Glass is attacked by enzymes produced by certain moths so that the glass jar and the glass covers for instrument dials are both susceptible to damage. Similarly, aluminum is attacked by an acid produced by moth growth. In addition, outer cases of wood or fibre board may have to be treated with a fungicide for export to tropical regions because of possible attack by fungi and bacteria.

Physical hazards in distribution may be static or dynamic and may be summarized under the following headings:

Impression: This arises from stocking in transit or in storage. If the primary pack is sufficiently stout (for example, a cylindrical tin plate container with flat ends) the outer pack needs no more than the primary packs which can take the stocking load themselves. For weaker primary packs such as corrugated carton or flexible plastic packs, the outer container must be constructed to take a large promotion of the maximum stocking load likely to be encountered. It must be emphasized that damage to the bottom containers in the stack is not the only danger. More serious is the risk of stack instability, with possible damage to many more containers as well as risk to life or limb.

Impact: Damage due to impact can arise through dropping of the package or shunting of rail cars, or bad roads in certain parts of India etc. In addition to breakage of containers, leading to leakage there is also the risk of damage to equipment by distortion.

Puncturing: Puncturing can occur through similar hazards to those outlined above for impact, The main risk is leakage of liquid or powdered contents but punctures may also provide inlets for moisture vapur, with consequent corrosion of metallic products.

Vibration: Vibration can cause a multitude of problems from abrasion and scratching of the outside of the containers (perhaps with loss of identification) to breakage of the contents. The package has a vital role to play a cushion when transporting fragile goods like glass tumblers, medicine (liquid preparation), sheet glass and horticulture products.

Effect of Temperature: The effects of high temperature on a product are usually more serious than those of low temperature. Corrosion effects, for example, are accelerated by high temperature as are other chemical changes and biological spoilage. It is also necessary to consider the effect of changes in temperature even when the extremes likely to be encountered are not thought to be harmful. Thus, cooling of a warm, moist atmosphere will lead to deposition of some moisture and condensation and this liquid water can then cause corrosion of metal parts or deterioration of water-sensitive chemicals, foodstuffs, etc. Examples of products likely to be adversely affected by an increase in temperature include chocolate, (which softens and melts at elevated temperatures and become unsaleable): fish, (which rapidly develops a strong off-odour and start decomposing and then becomes inedible), frozen foods start to deteriorate biologically; and many pharmaceutical products which lose their therapeutic activity (or many even become biologically inimical) if stored at high temperatures.

Fall in temperatures are not normally so important and will, in fact often increase the shelf-life. One important exception is emulsion paints which consist of a dispersion of pigments and synthetic resins in water. Too low a temperature will freeze the water component and thus break the emulsion, making it unsaleable. Tins of emulsion paint exported to low temperature countries should therefore, be placed in another packing giving adequate heat insulation. Similar remarks apply to many adhesives as these tend to undergo physical changes at low temperatures; such changes are difficult to reverse by the consumer.

It should be noted that very low temperatures are not only encountered by products exported to cold counties but also by products taken by aircraft. These days refrigerated vans and containers are used for transportation of temperature-sensitive products.

Effect of light: Light may adversely affect many light-sensitive product like films. The effect varies from changes to colour, embrittlement of some plastic and catalysis of chemical reactions (such as “oxidation of fats, giving rancidity). Many pharmaceutical products are affected by visible or ultraviolet light and must, therefore, be packed in opague containers or coloured glass bottles to prevent ultra violet (UV) ray penetration.

Pilferage: Although no package is a complete defence against pilferage, some can often make the job of the thief much more difficult. One way of reducing pilferage is by containerization, whereby a large number of normal shipping containers are put into a large van type container. These large containers are solidly built and can be padlocked. The shrink wrapping of whole pallet loads can also be of help in this area. The shrink wrapping of glass containers and carton trays and boxes are used. The oil-proof caps are also used in pharmaceutical and liquor products.

3. Functions:

The functions which a container may be called upon to perform can be divided into two main classes:

1. Those concerned with its end use, and
2. Those concerned with its behavior on the packaging or on filling line.

End-use performance: This is obviously important since faulty performance will lead to dissatisfaction with the product itself despite good attributes and, hence, to a reduction in sales. End-use package functions include:

Display: The package may be used for displaying on item in its own right by means of an attractive surface decoration or it may act as a display item for the product. The former has already been dealt with under the heading "Appearance". The second factor i.e., product visibility is not always desirable, of course, especially where the product is sensitive to light or ultraviolet rays. When visibility is required, it is usually an aid to identification or to add sales appeal to the finished pack. The latter is an increasing trend in large chain stores. This is true for jams, pickles, squashes, edible oils, transfusion solutions and cold drinks.

In the case of flexible packaging, there are many plastic films together with regenerated cellulose films, which can be obtained in a fully transparent form. For rigid packs the choice lies between glass or certain plastic packs such as PVC bottles. One other possibility exists where the product does not have to be protected from the environment and that is the use of a cut-away or some other form of open container. One example is the use of cotton or plastic nets for the packaging of eggs where a cut-away mould pulp container can be used which will give sufficient visibility while still maintaining mechanical protection. Until the advent of translucent polystyrene egg packs, this was the only way of obtaining product visibility plus mechanical protection.

Easy in Opening: This is a very difficult function to satisfy since it is generally combined with the necessity for the pack to maintain its seal or closure integrity until the customer wants to open it. For e.g. Tear tapes in the case of film overwraps while there are now a number of easy opening devices for metal cans, such as or coke cans. The most difficult field is probably that of plastic pouches, especially those containing liquid products. Tearing plastic films is not easy, even with solid products inside but to tear open a plastic pouch of liquid without spilling the contents is extremely difficult and generally they are cut to opened.

Convenience: The need for convenience in packaging has led to the growth of packs where the package and the product are completely integrated and where it is difficult to separate product and package performance.

An excellent example of this type of product and package integration is the aerosol or pressurized pack. The product as used by the consumer (for example, an insecticidal mist or a shaving foam) is not actually contained by the package but is produced at the moment it is required. The production of the mist, foam, etc is function of the complete pack. With the shaving foam, the container has to be strong enough to withstand the high internal pressures generated by the mixture of soap solution and liquefied gas propellant while the value, part of which is an actuating button, also provides an expansion chamber in which the foam is formed as the pressure is released on the mixture of the soap solution and propellant.

A number of examples from western countries can be quoted from the food industry including boil-in-the bag pack (the pouch and its contents), are placed into boiling water or put in a micro-wave oven for a few minutes, the package is removed and the cooked food is dispensed ready for eating by cutting open the pouch. This type of pack has to be able to contain the food during transit and storage, resist the temperature of boiling water and be readily opened when required. The main convenience factors are, absence of cooking smell, absence of the need to clean saucepans after cooking and ease of preparation of a complete meal.

Dispensing: This is allied in some ways to ease of opening and convenience. A great number of advances made in dispensing devices, such as pourers, spouts and taps have been made with the aid of plastics because of the flexibility of design offered by these materials. Dispensing aids range from a plastic cap which is easily punctured to give a hole through which a liquid can be shaken, to complicated retractable taps for drums which can then be rolled along the ground without breaking off the tap. Liquid soap solution, vinegar, pest control liquids and skin treatment medicines, perfumes, and lotions etc. Use such dispensing systems. Recently HLL has added this dispensing device in its packing for its brand surf at higher price.

Performance of Packaging on filling line: This can be important aspect of container design. Examples of container designs which can affect speed or types of filling equipment are neck diameter, stability(relationship between base diameter and diameter at top of container), rigidity of container wall (a certain amount of rigidity is necessary for vacuum filling) and variations in container weight (which affects reproduction of weight filling).

A change from one type of container to another may necessitate change in filling equipment ranging from a simple modification to a complete new filling line. Thus, a lube oil line designed to run full aperture metal cans with double seamed lids, would need major alterations to run on light weight plastic bottles with narrow necks and screw-on caps. Plastic containers can be used, however, in the form of full aperture plastic bodies with metal lids fixed to the plastic bodies with slightly modified equipment but the filling could then be carried on as before (at high speeds) because the aperture of the containers was unchanged.

It is difficult to delink the package from the machinery which is needed to fill it and handle it on production line. Package design and machinery design are often inter-dependent and thus the packaging and machinery design and selection must be taken into consideration from the initial stages.

In particular, new packaging materials usually pose problems in use on high speed equipment developed primarily for more established materials. The case of low-density polyethylene film was an excellent example in this connection. Wrapping equipment had previously been designed to deal with paper or with regenerated cellulose film, both of which are stiff, even in these gauges. Polyethylene film on the other hand through the wrapping machine usually worked on the principle of mechanical fingers, pushing the material along and new equipment had to be developed before the polyethylene film could capture an appreciable share of the wrapping market. The packaging and machinery interface is sometimes difficult to distinguish. Many modem packaging machines produce filled packages from film or sheet without any intermediate package being formed.

These form, if and seal (FFS) machines bring package making into the product manufacturer’s plant and have been used in intravenous transfusion (IV) filling. Different types of expertise also have to be employed and it may create difficulties for industries such as dairies which are confronted with the problems of plastic technology in the form of bottle blowing. This would be so in the case of the form, fill and seal technique where bottles are blown from plastic granules, filled and head sealed, all on one machine.

4. Cost :

Cost of packaging is an important criteria for selection of packaging material and its design. The selection of material for packaging will depend upon function of packaging. Expensive well designed packaging is used for premium or luxury products like expensive perfumes, cigarettes, beverages, personal products and electronic household gadgets. The desire to reduce prices to be competitive in the market leads to explore cheap packaging for non-premium products. However, well-designed packaging gives rise to better marketing appeal and higher cost of packaging can be feasible for premium and luxury products meant for upmarket consumer segment. The expensive products also yield higher profit margins.

The cost of packaging is decided by the weight of packaging material and the design and moulding or fabrication charges. The packaging development is done keeping the environmental laws in mind and it is desirable to use ecofriendly materials.

5. Disposability:

In most of the cases packaging material is disposed once the product is exhausted or consumed. Therefore, factor of disposability is an essential criterian in the selection of packaging material. The disposal plastic materials is difficult in view of its non bio degradable nature. The glass should be disposed off properly otherwise broken glass may be unsafe for general consumers. The disposal of one time throw away bottles for beverage caused serious concern for disposal of bottles.

6. Ecofriendly or biodegradable Features :

The packaging material and its disposability is becoming extremely significant in view of environmental problems. Products like metal and plastic are non-biodegradable and therefore becoming serious concern for environmentalists. The emphasis is on using bio-degradable or ecofriendly material like paper cuttings or shavings, wooden material, glass or any other packaging material. The companies are therefore shifting their stand on non-biodegradable and moving towards using material which are ecofriendly. The Green Dot Scheme in Germany, does not allow companies to import materials into Germany which are packed with such non-biodegradable material.

7. Marketing Appeal:

The consumer attitude towards packaging is changing and rnanufacturing firms are giving special importance to designs of the pack. The consumer products in well-designed and well-shaped containers give better appeal to consumers when products are displayed. The impulsive buyers may go for well-designed attractive packed products like cosmetics, skin treatment and hair treatment products, beverages, alcohols and cigarettes etc. Packaging is a great asset for some expensive consumer goods and has tremendous marketing appeal. It leads to positive evaluation and ultimately purchase decision. There are consumers who even retain empty packaging material or containers as souvenir as they like the design and shape of the container.

10.4 Packaging Decisions

Decisions on packaging have to cover areas like package design, packaging materials, packaging processes, testing and evaluation, marketing economics, and environmental issues.

We shall take up the following areas for discussion:

- **Package Materials :-**

Changing trends - from wood to paper: Over the years, a great deal of changes have taken place in the materials used for packaging. In the earlier days, wood was the main material used. It has slowly given place to paper and paperboard, especially on account of the shortage in wood supplies. Paperboard cartons, paper bags and corrugated boards have become popular forms of packaging for a variety of products, from groceries to garments.

Metal containers are also popular: Metal containers are an excellent packaging medium for processed foods, fruit, vegetables, meat products, oil, paint, etc. However, the acute shortage of tin in India makes metal packaging radier costly. In recent years, aluminium-based packaging has become popular. It is used in the form of foil, foil-based laminates, cans, pilfer-proof caps, etc. Products like tea, coffee, and spices have adopted aluminium foil packaging.

Plastics : The synthetic packaging material, ‘plastics’, has several merits such as:

(i) Water/moisture proof property,

(ii) Capacity to provide barrier to vapour,

(iii) Greater resistance to sun exposure,

(iv) Thermal stability,

(v) Light weight,

(vi) Alkali and acid proof property, and

(vii) Attractiveness and transparency.

They also allow attractive printing/labelling on them. Plastics, as a group, are now dominating the packaging field in India and are used in a variety of packaging applications - from simple grocery bags to sophisticated stretch blown bottles. Well-known brands like Tata Tea, Nescafe”, Amul milk chocolates, and even agricultural inputs like chemical feertilizers, have all gone in for plastic packaging materials. However, in recent years, a resistance to plastic packages has been building up due to the problems it creates to environmental cleanliness.

Tetra packs : Tetra packs or aseptic packaging is one such innovation. It has revolutionized food packaging. Here, the packages as well as the contents are sterilized and human handling dispensed with. The package consists of several thin layers of polyethylene foil and paper. Several manufacturers of fruit juices and fruit drinks are now using tetra packs. Tetra packs have an edge over cans since their contents have a shelf life of three months without the addition of preservatives.

Innovations in packaging : The continuous search for improved types of packing has led to a stream of innovations. Reducing the cost of packaging, enhancing the shelf life of the product, increasing the handling convenience and enhancing the overall product appeal, were central concerns behind these innovations.

Package Aesthetics : For enhancing the sales appeal of the product, more and more attention is now being given to package aesthetics. Packaging material, package designs, package size and shape, are all elements that decide the charm of the package and consequently the sales appeal of the product. Marketers of products rely heavily on package aesthetics as a tool for sales appeal, brand identification and product differentiation.

Innovative packaging can greatly help in generating trials. It facilitates merchandising. The role of package aesthetics in rendering the package a silent salesman, projecting a right image about the product is discussed in the chapter on Marketing Communications. Here it is sufficient to say that the size and shape of the package, the material used, the finish, the colour, the labeling, etc., are all influential components of the total sales appeal of the product.

Handling Convenience : Handling convenience is an important feature of the package. It contributes greatly to the success of the product. In fact, in many cases, it functions as a useful differentiator. The various attributes of the package-material, design, shape, size, etc., together should make the handling and use of the product convenient for the customer.

Pond's cold cream and Brylcreem in tubes. Earlier Pond's cold cream was coming in a bottle container and it was intended and used as a dressing table item. Subsequently, Pond's introduced the cream in a handy plastic tube. The new package changed the very perception of the product. From a dressing table item it also became a carry-along product. This change in package increased the sales of Pond's cold cream. The same was the case with Brylcreem. Earlier, this hair-cream used to come only in bottle containers. Later, Brylcreem appeared in a convenient tube. Brylcreem in the new package became a convenient, carry-along, dressing item.

Application convenience of Harpic liquid toilet cleaner is another product that has successfully exploited the concept of customer convenience in packaging. With Harpic, it is a case of application convenience. The container fitted with a nozzle for cleaning the toilet gives Harpic an advantage as it solves the application problem for the consumers.

The soft drink, beer can serves as one of the best examples of packaging convenience. The design of the can makes opening the can so simple an action, requiring no instructions whatsoever. The design is based on an understanding of people's basic pattern of expectations. Confronted with the ring around the neck of the can, what would you do but pull it and open it!

Package Size : Package size is another critical feature influencing consumers' purchase decision. Marketers have all along been using it as a convenient pricing and marketing tool. That is how Jumbo packs, family packs, economy packs, refill packs, etc., came into play. And the marketers' aim here has been to hook the customer to as large a pack as possible by offering a concessional price for the larger pack.

Economy pack: The economy or family pack makes the product available in larger size. Households with several members can buy economy packs and avoid the inconvenience of repeat purchases making a saving in the bargain.

Refill packs: Refill packaging is also related to customer convenience and economy. Several product categories like health drinks, coffee, tea and cooking oils are now coming in refill packs. Brands like Nescafe, Bru, Bournvita, Maltova, Saffola, Sundrop, Dhara, etc., are examples. The refill packs are sold at a slightly lesser price than the regular package and that itself serves as a sales promotion support.

Reusable containers: Providing reusable containers is another way by which marketers try to enhance the appeal of product. Nescafe1 at a point of time came in a glass jar, which could be later used as a glass. And the Nescafe1 campaigns persuaded the customers to collect a set of such glasses. Plastic containers lend themselves for reuse in the kitchen store. Bournvita in the 200 gm handle-jar was much sought after by the housewife. Bournvita was also sold in packs constituting drinking mugs and pet jars. Cadbury's cocoa powder was introduced in a special 'measuring glass cup'.

The Sachet sweep: In more recent times, instead of larger packs, a reverse revolution is taking place in packaging. The sachet is dominating the packaging scene. Every marketer is becoming part of this new packaging cum marketing initiative. It started with Pan masalas and shampoos; it is now spreading to all kinds of products ranging from hair oil, tea and coffee to soups, candy, toothpaste and even cough syrup. Fair and lovely has affaired phenomenal results through soft packs.

Using Package for Product Renovation : Marketers also use packaging as a device for renovating the product. When a declining trend in the sale of the product is noticed, marketers often use the packing to arrest the decline. They change the package and give a new look to the product without bringing about any substantive change in the product. The product is then advertised as new on the strength of the newness of the packing. In some other cases, the package is changed even when the sales are going up. The intention is to retain the interest of the existing customers and to attract new customers.

After packaging is designed, it must be tested. Engineering tests are conducted to ensure that the package stands up under normal conditions; visual tests, to ensure that the script is legible and the colors harmonious; dealer tests, to ensure that dealers find the packages attractive and easy to handle; and consumer tests, to ensure favorable consumer response.

10.5 Packaging as a Marketing Tool

Marketing can be defined as the overall strategy or complex which moves goods from the source of production into the hands of the consumer. Within this definition several functions can be identified; these are exchange (buying and selling), supply (transport and storage), standardization and grading, financing, risk taking, and the provision of market information. Packaging is deeply involved in many of the above functions and should be taken into account at an early stage in any marketing plan.

The importance of the pack in relation to the product is generally accepted insofar as luxury or semi-luxury items are concerned. In the cosmetics industry, for example, the pack plays a vital part in promoting sales and a great deal of time and money is spent on pack design. A similar situation exists in the expensive end of the chocolate trade, especially for gift packs designed for seasonal promotions at Christmas, Diwali or New Year time.

The pack should be recognized as an important marketing tool in many other fields, especially in the light of the increasing emphasis being placed on self-service, selling, advertising and sales however, promotional schemes.

The importance of packaging as a marketing tool will be seen more clearly if its various interactions with other marketing functions are analyzed.

Retail Marketing Trends:

The growth of packaging has had a tremendous effect on retailing methods. Packaging in its turn has itself been affected by changes in retail marketing. The first major change was, of course, from a state of minimum packaging to one where a majority of items were packed and of these, most were packed by the manufacturer. There was a gradual transition during post World War II period - from packaging which was meant only as a container, to packaging with a definite emphasis on sales appeal as an important aid to sales.

Packaging had two main effects on retail marketing during this period. It enabled manufacturers to sell more and more goods under brand names and it changed the character of the retail shops. The interiors of shops became less cluttered, while allowing the display of a greater number of products and window display was revolutionized from chemist's shop to readymade garments and from white goods to electronic entertainment products.

Radical changes were brought about using old and established packaging materials such as glass, tin plate and paper or board but there was a new material which contributed a great deal to sales appeal and that was cellulose film. There is little doubt that its combination, clarity, color and protection against moisture, vapour did a great deal to speed up the packaging revolution.

Self-service and Supermarkets:

Since the end of World War II, the biggest change in retail marketing has been the growth of self-service. Self-service on any large scale is completely dependent on packaging, although it is also true to say that the growth of self-service in departmental stores and supermarkets has had a corresponding great impact on packaging developments. Having once established the concept of supermarkets, it was natural to bring under their wing the marketing of products not normally packaged. One large area affected was that of fruits, vegetables, gift items and books.

The desire to round out the product range with fresh products led not only to developments in the packaging of such commodities but also led to changes in distribution. Certain chain stores and supermarkets have their own central pre-packaging facilities and so buy in bulk either from local farmers or from the usual fruits and vegetable market. Other supermarkets and self-service stores buy from packing stations who are themselves supplied with produce from a number of farmers in their locality.

Supermarkets also had a direct effect on the packaging of confectionery. At one time, most confectioneries were sold unpackaged but the practice of placing confectionery near check-out points of supermarkets for impulse sales soon led to the packaging of chocolates, toffees, boiled sweets, cakes and pastries, other items in cartons or film sachets, in order to obtain the benefit of increased sales.

One important influence of supermarket selling on packaging is geographies of the package. In the self-service environment, the package acts as the product’s only salesman and quite small differences in shape or surface may mean the difference between ‘sale and no sale’. The question is not just the simple one of designing a package which will attract the maximum amount of attention and one which will project the correct image. The use of a completely different shape may be a solution but this may bring problems in stocking on the supermarket shelves. Selling space is extremely limited and valuable in a self-service store and the store owner is not anxious to stock products which make inefficient use of his valuable space.

Supermarket selling has another influence on package appearance. Because of the emphasis it places on the package acting as a silent salesman, it is essential that brand recognition be made possible from as many different viewpoints as possible.

10.6 Summary

Marketers are providing value-addition to the products and greater benefits to the consumers through the packaging route. Packaging also plays an important role in product display and the shape of the packaging design is very crucial. It performs the following important functions such as : Utilitarian function, Communication function, Profit function and Marketing mix function.

The final form of any package is influenced by many factors but logical packaging development can be achieved by considering various packaging criteria. There are basically six important criteria: Appearance, Protection, Function, Cost, Disposability, Ecofriendly or biodegradable features. Decisions on packaging have to cover areas like package design, packaging materials, packaging processes, testing and evaluation, marketing economics, and environmental issues.The pack should be recognized as an important marketing tool in many other fields, especially in the light of the increasing emphasis being placed on self-service, selling, advertising and sales however, promotional schemes. The importance of packaging as a marketing tool will be seen more clearly if its various interactions with other marketing functions are analyzed.

The growth of packaging had a tremendous effect on retailing methods. Packaging, in its turn, has itself been affected by changes in retail marketing.The most important factors for a successful package for supermarket selling are as follows:

1. The package must be convenient to stock and display.
2. The package must have an attractive appearance.
3. The package must be capable of preserving the contents during storage and display,
4. The package should not be easily soiled.

Developing effective packaging may cost considerable amount of money and take several months to complete. Companies must pay attention to growing environmental and safety concerns about packaging. Shortages of paper, aluminum, and other materials suggest that marketers should try to reduce packaging. Many packages end up as broken bottles and solid waste disposal, requiring huge amounts of labor and energy. In India, there are increasing concerns on the environmental degradation caused by excessiveuse of plastic in packaging. Some state governments have taken the decision to ban the use of certain types of plastic shopping bags. Some companies are showing increasing sensitivity to these issues and are using more environmental friendly alternatives and packaging materials such as jute.

10.7 Key Words

- **Packaging :** It can be defined as an act of a designing and producing a suitable and attractive package for the product, to protect and safe delivery of the product to be sold in the market.
- **Disposability:** The packaging material is disposed once the product is exhausted or consumed.
- **Package Aesthetics:** Packaging material, package designs, package size and shape, are all elements that decide the charm of the package and consequently the sales appeal of the product.
- **Economy pack:** The economy or family pack makes the product available in larger size.
- **Dispensing:** This is allied in some ways to ease of opening and convenience.
- **Vibration:** Vibration can cause a multitude of problems from abrasion and scratching of the outside of the containers (perhaps with loss of identification) to breakage of the contents.

10.8 Self Assessment Test

1. What do you understand by Packaging?
2. What are the different functions of packaging?
3. What are the different packaging criteria?
4. What are the different decisions to be taken regarding packaging?
5. How packaging is used as a marketing tool?
6. How Pack design and company brand image are related to each other?
7. How packaging performs the function of communication?

Unit - 11 : Pricing Decisions

Unit Structure

11.0 Objectives

After studying this unit, you should be able to understand :

- The meaning of price and its importance in marketing decision making.
- Factors influencing pricing decision.
- The process of setting price of a product in an organization.
- Different pricing strategies suitable for different situations.
- The situations under which companies need to change and adjust prices.

11.1 Introduction

Price is one of the four elements of marketing mix. Price is the only element in the marketing mix that produces revenue whereas the other elements spend money. Price directly affects the income and profit of the organization. If a company charges low for its products than it may it will not earn adequate profits as contribution per product will be low. And if a company charges high for its products than it may it will not achieve sufficient sales because overall unit sales may be low. Further, with some product categories, price work as the major determinant of buyer choice. Although, today non-price factors have become more important in buyer behavior, price still remains one of the important elements determining company market share and profitability. However, at the same time, pricing and price competition are the number-one problems facing many marketing executives.

Companies handle pricing in a variety of ways. In small companies, prices are often set by top management rather than by marketing or salespeople. In large companies, top management sets the pricing guidelines and the middle level managers set the prices. In the industries, where pricing is a key factor for success, companies establish a pricing department to set prices or assist others in determining appropriate prices.

11.2 Meaning of Price

Price is the amount of money and/or other items a buyer pays to acquire products from a seller. In another words, when an exchange or transaction takes place between two parties, price refers to what must be given by one party (buyer) in order to obtain something offered by another party (seller). Different parties involve in exchange have different meanings of price:

- For final customers, price refers to what must be given to obtain benefits. In most cases money is given in exchange for acquiring access to a good or service. But sometimes, in a barter situation, a buyer may acquire a product by exchanging their own product.
- For sellers, price reflects the revenue generated for each product sold. For companies, price also serves as a marketing tool and is a key element in marketing promotions. For example, many companies highlight their product prices in the advertising campaigns.

Price has various forms and known by many names. Table 11.1 shows the different names of price associated with different products.

Price Versus Value :

Value can be defined as bundle of benefits a customer expects from a given product. It can be seen as a combination of three things; product quality, services associated with product and price. The value increases with quality and service and decreases with price. Therefore, for many customers price itself is not the key factor while making purchase decision. This is because they compare the entire marketing offering and price is one of several variables customers evaluate when they mentally assess a product's overall value.

Perceived value of a product is affected by a marketer's pricing decision. The relationship among value, price and benefits of a product can be represented as:

$$\text{Value} = \frac{\text{Perceived Benefits Received}}{\text{Perceived Price Paid}}$$

For the buyer, value of a product will change as perceived price paid and (or) perceived benefits received change.

11.2.1 Importance of Price :

Pricing decisions have important consequences for the marketing organization and it is as important as the other marketing mix variables. They are as follows:

1 A product's price is a major determinant of the demand for it. To earn a profit, managers must choose a price that is not too high or too low. The price of a product should be equal to perceived value of product by target consumers.

2 Price is one of the most flexible elements of the marketing mix. The other elements of marketing mix; product, or distribution channel, can take months or years to change, or some forms of promotion can be time consuming to alter (e.g., television advertisement), but price can be changed very rapidly. For instance, company can agree to a field salesperson's request to lower the price of a product for a big customer during a phone conversation.

3 Pricing decisions made in a hurry without sufficient research, analysis, and strategic evaluation can lead to revenue loss. Prices set too low may mean the company is missing out on additional profits that could be earned if the target market is willing to spend more to acquire the product. Prices set too high can also impact revenue as it prevents interested customers from purchasing the product.

4 Price helps in creating image of the product. Customers' perception of a product is also influenced by price of product, such as high price downfall high quality of product.

5 Price affects the purchase decision of customers. It is important for marketers to know if customers are more likely to purchase or dismiss a product after learning about the price of a product. In such cases, pricing may become the most important of all marketing decisions.

6 Price also play important role in the sales promotion plan of a company. Many times price adjustments are part of sales promotions that lower price for a short term to stimulate interest in the product. e.g. cash discounts

11.3 Factors affecting Pricing Decisions

The final price for a product is influenced by many factors. They are:

(i) Business and Marketing Objectives :

Marketing decisions are guided by the overall objectives of the company. Pricing decisions are influenced by many types of objectives set up for the marketing functional area. Mainly they include; profit maximization, sales maximization, increase in market share, targeted return on investment (ROI) of marketing expenditure, etc. These marketing objectives are discussed later in detail.

(ii) Marketing Strategy of Company :

In an effective marketing strategy, all marketing mix variables must work together and properly integrate. Hence Price, as one element of the marketing mix, is impacted by other ingredients of marketing mix. For instance, a company producing high quality product would be expected to keep price high so that it also communicate the high quality of the product. Also, marketing strategy concerns with that how the company is going to compete in the marketplace. If basis of the competition is price, and competitors are using it as a key weapon it affects the firm's pricing decision also.

(iii) Demand :

Demand is the quantity of product that will be sold in the market at various prices levels for a specified period. Demand of a product greatly affects the pricing decision of a company. A typical demand schedule shows an inverse relationship between quantity demanded and price. The companies need to understand the 'elasticity of demand' which can be defined as effect of price changes on the demand and relates to how purchase quantity changes as prices change.

Elasticity deals with three types of demand scenarios:

Elastic Demand – Demand is elastic when a certain percentage change in price results in a larger and opposite percentage change in demand.

Inelastic Demand – Demand is inelastic when a certain percentage change in price results in a smaller and opposite percentage change in demand.

Unitary Demand – This demand occurs when a percentage change in price results in an equal and opposite percentage change in demand.

For marketers the important issue with elasticity of demand is to understand how it impacts company revenue. In general the following scenarios apply to making price changes for a given type of market demand :

For elastic markets – increasing price lowers total revenue while decreasing price increases total revenue.

For inelastic markets – increasing price raises total revenue while decreasing price lowers total revenue.

For unitary markets – there is no change in revenue when price is changed.

(iv) Costs :

Another major factor affects pricing decisions is cost. To earn profit or for sustainable business, price paid by customers must exceed the cost of producing a good or delivering a service. Costs can be broadly divided into following categories:

Fixed Costs – Fixed costs, also known as overhead costs, are not affected by level of production or sales. For example, a manufacturer of pen, whether produces one pen or one lac pen, will be required to pay the full monthly rent for the building.

Variable Costs – These costs are directly associated with the production levels of products. They are called variable because their total varies with the number of units produced. Typically variable costs are evaluated on a per-unit basis. For example, cost of raw material, parts, direct labor etc.

Total Cost – Total cost in the sum of total fixed cost and total variable cost for a specific quantity of products produced.

Average Costs – Average cost is the cost per unit at a particular level of production. It is equal to total costs divided by production (number of units produced).

(v) Competitive Environment :

Intensity of competition, offerings of competitors, their price structure, competitors' reaction, as pay etc. affect the price of a company's product. Marketers must research competitive prices as well pay close attention to how these companies will respond to the marketer's pricing decisions. For instance, products that dominate markets and are viewed as market leaders may not be heavily influenced by competitor pricing since they are in a commanding position to set prices as they see fit. On the other hand in markets where a clear leader does not exist, the pricing of competitive products will be carefully considered.

(vi) Government Regulation :

Marketers must be aware of regulations that impact how price is set in the markets in which their products are sold. These regulations are primarily government enacted and there may be legal ramifications if the rules are not followed. For instance, in some industries, government regulation may set price ceilings (highest price) while in other industries there may be price floors (lowest price).

(vii) Other Factors :

Customer expectations is one very obvious factor that influences price setting. As it has been discussed earlier that, while making a purchase decision, customers assess the overall "value" of a product much more than they assess the price. Therefore, marketers need to conduct customer research to determine what "price points" are acceptable to customers.

Product life-cycle also affects the pricing decisions. Price of a product normally changes as product moves through different stages of life-cycle. Companies often sets a higher price during introductory stage, which gradually come down when competitors enter into the market.

11.4 Setting the Price

A firm must set a price for the first time when the firm develops or acquires a new product, when it introduces its regular product into a new distribution channel or geographical area, and when it enters bids on new contract work. The firm has to consider many factors in setting its pricing policy, which are already discussed earlier. In the current section, six-step procedure for pricing setting is discussed :

Step1 : Selecting the Pricing Objective :

First, the company has to decide what it wants to accomplish with its particular product offer. If the company has selected its target market and market positioning carefully, then its marketing-mix strategy-including price-will be fairly straight forward. The clearer a firm's objectives, the easier it is to set price. A company can pursue any of the below mentioned major objectives through its pricing, which are: survival, maximum current profit, maximum current revenue, maximum sales growth, maximum market skimming, or product-quality leadership.

(i) Survival : Companies pursue survival as their major objective if they have overcapacity, face intense competition, or change in consumer wants. In such situations, survival of organization becomes more important as compared to earn profits. To keep the plant operating, companies will cut prices. As long as prices cover variable costs and some fixed costs, the companies stay in business. However, survival is only a short-run objective. No company can exist in the market in the long run by setting prices merely for survival. It has to focus on attaining profits by improving its performance and capabilities.

(ii) Maximum Profit : Many companies try to set the price that will maximize current profit. Price being a controllable factor in the profit equation, can be adjusted such that it maximise the current profit of organisation. Companies estimate the demand and costs associated with alternative prices and choose the price that produces maximum current profit. This strategy assumes that the firm has knowledge of its demand and cost functions; whereas in reality, these are difficult to estimate.

(iii) Return on Investment (ROI) : The objective of pricing in an organisation can be to attain a specified return on their investments (ROI). Company should like to have certain level of ROI on marketing investments, new product development cost, or overall investment in business. Usually, data used to calculate ROI are not available at the time when prices are set. Therefore, organisations adopt a trial and error method to arrive at the best price alternatives to leverage maximum ROI.

(iv) Maximum Current Revenue : Some companies set a price that maximizes sales revenue. Revenue is the multiplication of price charged and the number of units sold (i.e. Revenue = Price × Sales Units). Revenue maximization requires estimating only the demand function. Many managers believe that revenue maximization will lead to long-run profit maximization and growth in market share.

(v) Maximum Sales Growth : Some companies want to maximize unit sales. They believe that a higher sales volume will lead to lower unit costs because of economies of scale and then company will earn high profit in long-run. They set the lowest price, assuming the market is price sensitive. This practice is called market-penetration pricing. The following conditions favour setting a low price

(a) The market is highly price sensitive, and a low price stimulates market growth;

(b) Production and distribution costs fall with accumulated production experience; and

(c) A low price discourages actual and potential competition.

(vi) Maximum Market Skimming : Setting the price of a new product at the highest possible level is referred as market-skimming pricing. Ordinarily the price is high in relation to the target market's range of expected prices. Main purpose of this strategy is to recover research and development costs as quickly as possible. Market skimming makes sense under the following conditions:

(a) A sufficient number of buyers have a high current demand,

(b) the unit costs of producing a small volume are not so high that they cancel the advantage of charging what the consumers will bear,

(c) the high initial price does not attract more competitors to the market,

(d) the high price communicates the image of a superior product.

(vii) Product Quality : A company may set prices in relation to its product quality. There are possible nine price-quality strategies a company can pursue. They are shown as below :

Product Quality \ Price	High	Medium	Low
High	1. Premium Strategy	2. High Value Strategy	3. Super Value Strategy
Med.	4. Over charging Strategy	5. Medium Water Strategy	6. Good Value Strategy
Low	7. Rip-off Strategy	8. False Economy Strategy	9. Economy Strategy

The diagonal strategies 1, 5 and 9 can all coexist in the same market; that is one firm offers a high quality product at a high price, another firm offers an average quality product at an average price, and still another firm offers a low quality product at a low price. All three competitors can coexist as long as the market consists of three groups of buyers: those who insist on quality, those who insist on price, and those who balance the two considerations. Positioning strategies 2, 3 and 6 represent ways to attack the diagonal position. Positioning strategies 4, 7 and 8 lead to overpricing the product in relation to its quality.

(viii) Other Pricing Objectives : Companies can follow other price related objectives also. For example, nonprofit and public organisations may aim for partial cost recovery and rely on public grants and donations to cover the remaining costs. Some non-profit organisations may aim for full cost recovery in its pricing.

Activity 1.

Contact the appropriate retailers in your area and find out what they perceive about the quality of the following brands and customers' complaints about the prices of the products

a) Toothpast - Colgate, Meswak and Babool

b) Hair Colour - Godrej and Garnier

c) Air Conditioners - Hitachi, LG, Voltas

Activity 2.

Identify one store in your community that generally prices below the levels of most other firms and one that prices above prevailing market levels. Arrange an interview with the manager of each store. Ask both managers to explain the rational and procedure associated with their pricing approaches. Also ask the manager of the store with below market prices how profits are achieved with such low prices. Ask the manager of the store with above market prices how customers are attracted and satisfied with such high prices.

Step 2 : Demand Measurement :

Next step in setting the price for its product is assessment of the demand for company's product. They can determine the demand through market research and using sales forecasting techniques. Companies should also understand the relationship between alternative prices that might be charged in the current time period and the resulting current demand, which can be shown through demand curves. In the normal case, demand and price are inversely related. i.e., the higher the price, the lower the demand, and vice-versa.

The first step in estimating demand is understanding the factors that affect buyers' price sensitivity as under:

(i) Price Sensitivity : Price sensitivity can be defined as impact of price changes on demand. If small change in price greatly affect the demand than the market (customer) would be considered as price sensitive. There are nine factors that affect price sensitivity :

(a) Unique-value effect : Buyers are less price sensitive when the product is more distinctive.

(b) Substitute-awareness effect : Buyers are less price sensitive when they are not aware of substitutes.

(c) Difficult-comparison effect : Buyers are less price sensitive when they cannot easily compare the quality of substitutes.

(d) Total-expenditure effect : Buyers are less price sensitive when expenditure on product is lower as compared to their total income.

(e) End-benefit effect : Buyers are less price sensitive when the smaller the expenditure is to the total cost of the end product.

(f) Shared-cost effect : Buyers are less price sensitive when part of the cost is borne by another party.

(g) Sunk-investment effect : Buyers are less price sensitive, when the products are purchased as an extension of products that were purchased in the past.

(h) Price-quality effect : Buyers are less price sensitive when the product is assumed to have more quality, prestige, or exclusiveness.

(i) Inventory effect : Buyers are less price sensitive when they cannot store the product.

(ii) Estimating Demand Curves : The demand curve shows the market's purchase quantity at alternative prices. It sums the reactions of many individuals who have different price sensitivities. There are various methods to estimate the demand curve of a product. The first involves statistically analyzing existing data on past prices, quantities sold, and other factors to estimate their relationships. Building the appropriate model and fitting the data with the proper statistical techniques will produces the demand curves. The second approach is to conduct price experiments, i.e. charge different prices in similar territories to see how sales are affected. The third approach is to ask buyers to state how many units they would buy at different proposed prices.

In measuring the price/demand relationship, the market researcher must control for various factors such as competitors response and external environmental factors.

Step 3 : Estimating Costs :

For many companies, the starting point for setting a product's price is to first determine how much it will cost to get the product to their customers. Demand of a product sets a ceiling (maximum price) on the price that the company can charge and company costs set the floor (minimum price). The company wants to charge a price that covers its cost of producing, distributing, and selling the product, including a fair return for its effort and risk. Companies need to estimate fixed costs, variable cost, total cost and average cost for its products before setting up the price. We have already discussed the meaning of these types of costs in earlier section. Calculation of these costs and total cost of a product is must because it will clear the picture that what should be the minimum price that will at least cover the total production costs at a given level of production.

Step 4 : Analyzing Competitors' Costs, Prices and Offers :

After identifying the range of possible prices determined by market demand and costs; company should identify and analyse the competitors' costs, prices and their possible price reactions. The company needs to benchmark its costs against its competitors costs to learn whether it is operating at a cost advantage or disadvantage. The company also needs to learn the price and quality of competitors' offers. The firm can send out comparison shoppers to assess competitors offers, acquire competitors' price lists, buy competitors' equipment and take it apart, and ask buyers how they perceive the price and quality of each competitors' offer.

Once the company is aware of competitors' prices and offers, it can use them as an orienting point for its own pricing. If the firm's offer is similar to a major competitors' offer, then the firm will have to price close to the competitor otherwise it may lose sales. If the firm's offer is inferior, the firm will not be able to charge more than the competitor. If the firm's offer is superior, the firm can charge more than the competitor. The firm must be aware, however, that the competitors might change their prices in response to the firm's price.

Apart from these issues, the pricing policies of a company might attract a new competitior into the market or may force the existing competitors to leave the industry. Therefore, marketers should be careful about potential and future competition. Further, company's pricing policies also influence the competitors pricing policy. Competitors may react to firm's prices in various ways which we have discussed in another section.

Step 5 : Selecting a Pricing Method :

When the company has idea for demand of its product, the cost function of its product and competitors price; it is now ready to select a price. There are various methods exist for selecting and finalizing the price of company's product, they are : markup pricing, target pricing, perceived-value pricing, value pricing, going-rate pricing, sealed-bid pricing and add pricing.

(i) Markup Pricing : This is the most elementary pricing method used by companies. In this type of pricing, a marketer adds a mark-up on its cost of the product, sometimes also referred as mark-on. Markups are expressed as a percentage of either the cost or selling price. This type of pricing method is usually used by retailers and wholesalers, who add markup percentages to the cost of acquiring product. Lets say we want to determine the selling price of a calculators, following example will clarify the markup method :

Variable cost per calculator	Rs.	100
Fixed cost	Rs.	30,00,000
Expected unit sales		50,000

The unit cost of calculator for manufactures can be calculated by

$$\text{Unit cost} = \text{Variable cost} + \frac{\text{Fixed cost}}{\text{Unit sales}}$$

$$= 100 + \frac{30,00,000}{50,000} = \text{Rs.}160$$

Now assume the manufacturer wants to earn a 20% markup on sales. The manufacturer's markup price is given by

$$\text{Markup price} = \frac{\text{Unit cost}}{(\text{1- markup percentage})} = \frac{160}{1 - 0.2} = \text{Rs.}200$$

Hence, the cost of a calculate is Rs. 160/unit to manufacturer and it will be priced at Rs. 200/Unit to earn 20% markup on cost. Here the manufacturer would make a profit of Rs. 40 per unit.

Markup vary considerably across different goods. Markup are generally higher on seasonal items (to cover the risk of not selling), speciality items, slower moving items, items with high storage and handling costs, and demand-inelastic items. In addition, companies sometimes use higher markup when hidden or highly variable costs are involved.

(ii) Target Return Pricing : Another cost based pricing approach is target-return pricing. Here, firm wants to have certain level of return on its total investment in business, known on return as investment (ROI). The firm determines the price that would yield its target rate of return. The target-return price is given by the following formula :

$$\text{T arg et return price} = \text{Unit cost} + \frac{\text{desired return} \times \text{invested capital}}{\text{Unit sales}}$$

For our earlier example of calculator, if manufacturer has invested 2 crore Rs. in plants and machinery and wants to earn 20% ROI on invested capital than

$$\text{Pr ice} = 160 + \frac{0.20 \times 200,00,000}{50,000} = 160 + 80 = \text{Rs.}240$$

Therefore, manufacturer should charge Rs. 240 per unit of calculator to earn 20% return on invested capital of Rs. 2 crore. This return will be realised under the condition that costs and estimated sales turn out to be accurate.

(iii) Perceived Value Pricing : In this method, prices are decided on the basis of customer's perceived value of the product. Companies see the buyers' perceptions of value, not the seller's cost, as the key to pricing and use the non-price variable such as, advertising in the marketing mix to build up perceived value in the buyers' minds.

Perceived-value pricing fits well with product-positioning philosophy. A company develops a product concept for a particular target market with a planned quality and price. Then management estimates the volume it hopes to sell at this price. The estimate indicates the needed plant capacity, investments and unit costs. Management then works out whether product will reach a satisfactory profit at the planned price and cost. If the answer is yes, the company goes ahead with product development. Otherwise, the company drops the idea.

The key to perceived-value pricing is to accurately determine the market's perception of the product's value. Sellers with an inflated view of their product's value will overprice their product.

Sellers with an underestimated view will charge less than they could. Companies should use market research to establish the market's perception of value as a guide to effective pricing.

(iv) Value Pricing : In value pricing, companies charge a fairly low price for a high-quality offering. Value pricing says that the price should represent a high-value offer to consumers. Value pricing involves re-engineering the company's operations to truly become the low-cost producer without sacrificing quality, and consequently lowering the prices significantly to attract a large number of value conscious customers.

An important type of value pricing is everyday low pricing (EDLP), which is used by large retail stores. A retailer who holds to an EDLP policy charges a constant, everyday low price with no temporary price discounts. Retailers adopt EDLP for a number of reasons, the most important of which is that constant sales and promotions are costly. Also, consumers have low confidence in the credibility of sales promotional schemes. Consumers also have less time and patience for waiting the supermarket special deals and discounts.

(v) Going Rate Pricing : In going rate pricing, the firm pays less attention to its own costs or demand and bases its price largely on competitors price. The firm might charge the same, more, or less than its major competitor(s). In industries that sell a commodity such as steel, paper, or fertilizer, firms normally charge the same price. The smaller firms also follow the leader and change their prices when the market leader's prices change. Going rate pricing is quite popular. Where costs are difficult to measure or competitive response is uncertain, firms feel that the going price represents a good solution.

(vi) Sealed Bid Pricing : In some markets especially industrial markets and government purchases business is carried out on the basis of sealed bids rather than on the basis of openly setting prices for products. This type of pricing is more suitable for industrial products. Many companies complete in this process, where the price of the product of service is usually quoted in a sealed cover. In this method, the firms submit bids in sealed covers for the price of the job or the service. This is based on firm's expectation about the level at which the competitor is likely to set up prices rather than on the cost structure of the firm. The firm wants to win the contract, and winning normally requires submitting a lower price than competitors. The sealed bid method is usually followed in government organizations. Whenever a government organisation needs to purchase a product or service, it is required to call for bids and several companies are invivted to quote their prices in a sealed form. After receiving the sealed bids, the organisation will normally purchase the product or service from the company, which has bid the least price.

Step 6 : Selecting the Final Price :

After deciding the method of pricing, company must select its final price. In selecting the final price, the company must consider additional factors, including psychological pricing, the influence of other marketing-mix elements on price, company pricing policies and the impact of price on other parties.

(i) Psychological Pricing : Sellers should consider the psychology of prices in addition to their economics. Many consumers use price as an indicator of quality. When alternative information about true quality is available, price becomes a less significant indicator of quality. When this information is not available, price acts as a quality signal. For example, in a study of the relationship between price and quality perceptions of cars, it has been found that higher-priced cars were perceived as high quality cars. Also, higher quality cars were perceived to be higher priced. Another issue under psychological pricing is that when looking at a particular product, buyers carry in their minds a reference price that might have been formed by noticing current prices, past prices, or the buying context. Sellers should consider these reference prices in pricing their product.

(ii) **The Influence of other Marketing :** Mix Elements : The relationship between price and other marketing mix variables have been discussed earlier. The final price must take into account the rest of marketing mix variables such as; advertising, sales promotion, product quality, distribution strategy etc.

(iii) **Company Pricing Policies :** The final price must be consistent with company pricing policies. Many companies set up a pricing department to develop pricing policies and establish or approve pricing decisions. Their aim is to ensure that the salespeople quote prices that are reasonable to customers and profitable to the company.

(iv) **Impact of Price on Other Parties :** Companies must also consider the reactions of other parties to the intended price. For example, management should try to seek answers of following questions, while selecting final price : How will the distributors and dealers feel about it? Will the company sales force be willing to sell at that price or complain that the price is too high? How will competitors react to this price? Will the government intervene and prevent this price from being charged?

Activity 3.

Interview (telephonically or personally) some marketing managers of different companies and identify that what procedure they are following for setting the price of the products in their company. Also try to understand what specific pricing methods they are using.

11.5 Pricing Strategies

In price related decisions of a company's marketing mix, after deciding the pricing objectives and identifying the base price for its product; the next major task is to design pricing strategies that are compatible with the rest of the marketing mix. Companies face many strategic issues related to price, such as :

1 Is company going to compete primarily on the basis of price? (Price versus non-price competition).

2 How to price company's product according to different customers in different geographic locations/ countries? (Geographical Pricing Strategies)

3 What kind of discount schedule should be adopted? (Price discounts and allowances).

4 What adjustments need to be made in final price of a product because of sales promotion? (Promotional pricing).

5. What should be pricing policy for product lines and product mix? (Product mix strategies).

These issues are discussed below :

(i) **Price versus Non-price Competition :**

In developing a marketing program, companies need to decide whether to compete primarily on the basis of price or the non-price elements of marketing mix. A company will engage in price competition when it markets its product on lowest possible prices. In this strategy, product accompanied few services or no services. With price competition, there is little customers loyalty and consumers buy a brand which has lowest price.

In non-price competition companies maintain stable prices and emphasize more on other aspects of marketing program. Although while deciding price of the product, competitors prices are taken into consideration. In this strategy, companies attempt to compete by the means of product differentiation, promotional activities, product quality, variety, more features or on some other element of marketing mix.

(ii) Geographical Pricing Strategies :

Under geographical pricing, managers need to make decision about price of its products according to different customers in different locations and countries. The main issue is whether the company should charge higher prices to distant customers to cover the higher shipping costs or should it charge a similar prices to all geographic locations.

Companies can establish different pricing policies whereby buyer pays the entire freight expense, the seller bears the whole burden, or the seller and buyer share this expense. The chosen strategy can influence the geographic limits of a firm's market, location of its production facilities, sources of its raw material, and its competitive strength in various geographic markets. Following are different pricing mechanism a company can follow under geographical pricing strategy :

- **Point of production pricing :** In this strategy, company quotes the selling price at the factory gate (point of production) and the buyer selects the mode of transportation and pays all freight costs.
- **Uniform delivered pricing :** Under this, the same price is quoted to all buyers regardless of their geographical location.
- **Zone-delivered pricing :** Here, company divides a market into a limited number of broad geographical zones and then sets a uniform delivery price for each zone.
- **Freight-Absorption pricing :** Company quotes a price equal to its factory price plus the shipping costs that would be charged by a competitive seller located near the customers.

(iii) Price Discounts and Allowance :

Companies provide discounts and allowances on their basic price to reward customers for such acts as early payment, volume purchases, and off-season buying. The discounts and allowances may be in the various forms, which are :

- **Cash Discount :** A cash discount is a price reduction to buyers who pay their bills within a specified time. The cash discount is computed on the net amount due. Every cash discount includes three elements which are :

  (a) The percentage (%) discount;

  (b) The period during which discount is applicable; and

  (c) The time when the bill becomes overdue.
- **Quantity Discount :** A quantity discount is a price reduction to buyers who buy in large volumes. Quantity discounts can be offered on a noncumulative basis (on each order placed) or on a cumulative basis (on the number of units ordered over a given period). The objective of quantity discount is to encourage customers to buy in larger amounts or provide an incentive to the customers to purchase from one seller rather than buy from multiple sellers.
- **Functional Discounts :** Functional discounts (also called trade discounts) are offered by the manufacturer to trade-channel members (wholeseller, retailer etc.) if they perform certain functions, such as; selling, storing and record-keeping. Manufacturers may offer different functional discounts to different trade channels because of their varying functions.
- **Seasonal Discounts :** A seasonal discount is a price reduction to buyers who buy products during off season. Seasonal discounts allow the seller to maintain uniform production during the year. For

example, hotels, motels and airlines offer seasonal discounts in their slow moving season or off season.

- **Allowances :** Allowances are other types of reduction from the list price of a product. Trade-in allowances are price reduction granted for exchanging an old item when buying a new one. For instance, Matuti Automobiles offers exchange bonus to its customers for exchanging old maruti cars with newer one. Promotional allowances are payments or price reductions to reward dealers for performing promotional services, such as advertising and sales support programs.

  Besides this, companies can adjust pricing by offering low-interest finance, longer payment terms and additional warranties and service contracts.

(iv) Promotional Pricing Strategies :

The main objective of promotional pricing is to stimulate product demand. The options for promotional pricing include: Markdowns, Loss Leaders, and Sales Promotions.

- **Markdowns :** The most common method for stimulating customer interest using price is the promotional markdown method, which offers the product at a price that is lower than the product's normal selling price.
- **Loss Leader :** This kind of pricing strategy is adopted by large retailers. Here supermarkets and department stores sell the well-known brands at equal or below the cost of acquisition. The idea is that offering such a low price will entice a high level of customer traffic to visit a retailer's store.
- **Sales Promotion :** Under this, marketers may offer several types of pricing promotions to simulate demand. These include rebates, coupons, trade-in, and loyalty programs, etc.

(v) Discriminatory Pricing :

Discriminatory pricing (also called price discrimination) occurs when a company sells a product or service at two or more prices that do not reflect a proportional difference in costs. Discriminatory pricing takes several forms :

- **Customer-segment pricing :** Different customer groups are charged different prices for the same product or service.
- **Product-form pricing :** Different versions of the product are priced differently but not proportionately to their respective costs.
- **Image Pricing :** Some companies price the same product at two different levels based on image differences.
- **Location pricing :** The same product is priced differently at different locations even though the cost of offering at each location is the same.
- **Time Pricing :** Prices are varied by season, day, or hour. For example, cinema hall vary their ticket rates to by time of day and weekend versus weekday.

(vi) Product Mix Pricing :

In this case, the firm searches for a set of prices that maximizes the profits on the total product mix. Pricing is difficult because the various products have demand and cost interrelationship and are subject to different degrees of competition. There are six situations involving product-mix pricing : product-line pricing, optional-feature pricing, capture-product pricing, two-part pricing, by product pricing, and product-bundling pricing.

- **Product line pricing :** When marketers offer more than one product item in a product line, they usually set prices for product lines instead of individual products. In such a pricing, the sales of one product in the product line may affect others. Marketers usually try to offer products that will increase the sales of other products as well. But, in an efforts to provide variety to the customers, they offer directly competitive products. Marketers can adopt different price points within a product line so that customers perceive the quality of these products on the basis of these price points.
- **Optional feature pricing :** Many companies offer optional products or features along with their main products. For example, during the purchase of a car, accessories such as seat covers, floor mats, metal guards, air-conditioner, music system, etc., do not form a part of standard features and are priced separately. Pricing these options is a sticky problems, because automobile companies must decide which items to include in the sticker price and which to offer as options.
- **Captive-Product Pricing :** Some products require the use of ancillary or captive products. Examples of captive products are razor blades (razors are useless with them) and camera film (cameras are useless without film). When manufacturers price the ancillary products or spare parts relatively higher than the basic product to overcome the low profits earned on the basic product, it is termed as captive product pricing. For example, Gillette follows this strategy for its Mach III blades. The original razor comes at an attractive price, but the blades that have to be used along with the razor are priced higher.
- **Two-part pricing :** Service firms often engage in two-part pricing. That is they charge a fixed fee plus a variable usage fee. Thus telephone users pay a minimum monthly fee plus charges for calls beyond a certain limit. The services firm faces a problem similar to captive-product pricing-namely, how much to charge for the basic service and how much for the variable usage. The fixed fee should be low enough to induce purchase of the service; the profit can then be made on the usage fees.
- **By Product Pricing :** The production of certain goods often results in by products. For example, refining of crude petroleum oil produces petrol as well by products also, such as; diesel, kerosene, wax etc. If the by products have value to a customer group, then they should be priced on their value. Income earned on the by-products make it easier for the company to charge a lower price on its main product.
- **Product-bundling pricing :** Product bundling pricing is a procedure where the manufacturer provides a set of related products at a price. In this pricing strategy, marketers anticipate customer needs and accordingly bundle either accessories or other related products with the main product. For example, most PC manufacturers bundle free software (antivirus, office suites, etc.) with PCs.

Activity 4.

Identify two firm in your community . Arrange an interview with the personwho directs the company's marketing. Ask the executives which of the following pricing strategies the firms are using as well as the rationale for the choices.

a) Price or non price competitions.

b) One-price or flexible price strategy

c) Market-skimming or market-peneteration pricing.

d) Noncumulative or cumlative discounts

e) Everyday low pricing or high low pricing.

11.6 Price Changes and Adjustments

Pricing is not a one-time decision, rather it is a continuous one. A Company faces many situations under which it is required to change and adjust the price of its product. In some situations, companies initiate price cuts or price increase and in another situation they need to react towards price changes by competitors. While initating or reacting towards price changes, companies should also gauge the competitotrs' and customers' responses to price change.

11.6.1 Company's Initiation to Price Changes :

Company may initate to reduce the price of its products as raise the price under several circumstances. They are discussed below :

(i) Price Cuts : Companies may initiate price cuts under following situations :

- Company has excess plant capacity and want to generate additional business through price cuts.
- When company's market share is declining and decide to protect its market by cutting the prices.
- When company want to dominant in market through increasing its market share, than it initiates price cuts in the hope of gaining market share, which would lead to falling costs through larger volume and more experience.
- Companies also cut their prices in a period of economic recession.

(ii) Price Increases : While increasing the price of a product, a company need to decide whether to raise the price sharply on a one-time basis or to raise it by small amounts several times. Generally, consumers prefer small price increases on a regular basis to sharp price increases. Companies may initiate price increase under following conditions :

- A successful price increase can increase profits considerably. For example, if the company's profit margin is 3% of sales, a 1% price increase will increase profits by 33% if sales volume remains the same.
- Another major circumstance provoking price increases is rising costs of raw material, parts or other resources used for production.
- Another factor leading to price increase is over demand. When a company cannot supply all of its customers, it can raise its prices, ration the supplies to customers or can do both the things.

11.6.2 Responding to Competitors Price Change :

Many times competitors may initiate price changes and then company is required to respond to the this price change. The company's response is affected by many factors, such as; market characteristics, product characteristics, etc. For example, in the markets characterized by high product homogeneity, the firm has little choice but to meet a competitor's price cut. In non-homogeneous-product markets, a firm has more choice in reacting to a competitors price change when buyers choose the product on other considerations; such as; service, quality, reliability etc. then these factors desensitize buyers to minor price difference. Another factor which affects the company's response is its leading position in the market. Market leaders frequently face aggressive price cutting by smaller firms trying to build market share. When the attacking firm's product is comparable to the leaders, its lower price will cut into the leader's share. The leader at this point has several options and the best response varies with situation. The conmpany under attack has to consider the product's stage in the life cycle, its importance in the company's product portfolio, the competiters intentions and resources, the market's price and quality sensitivity the behaviour of costs with volume, and the company's alternative opportunities following are possible responses:

(i) Maintain price : The leader might maintain its price and profit margin, believing that

- it would lose too much profit if it reduced its price
- it would not lose much market share, and
- it could regain market share when necessary. The leader believes that it could hold on to good customers, giving up the poorer ones to the competitor.

(ii) Raise perceived quality : The leader could maintain price but strengthen the value of its offer. It could improve its product, service and communications. It could stress the relative quality of its product over that of the low-price competitor.

(iii) Reduce price : The leader might drop its price to the competitor's price. It might do so because

(a) its costs fall with volume.

(b) it would lose market share because the market is price sensitive, and

(c) it would be hard to rebuild market share once it is lost.

(iv) Increase price and improve quality : The leader might raise its price and introduce new brands to counter the attacking brand.

(v) Launch low-price fighter line : One of the best responses is to add lower-price items to the product line or to create a separate lower-price brand. This is necessary if the particular market segment is price sensitive and do not respond to arguments of higher quality. This is what some major brands are doing to fight back against lower price store brands.

11.6.3 Reactions to Price Changes :

Any price change affect customers, competitors, distributors, and suppliers and may provoke government reaction as well.

(i) Customers' Reactions : When companies change price of their products, customers would like to know the motivation behind price changes. Companies should understand that customers are very price sensitive to products that cost a lot and/or are bought frequently. Whereas they hardly notice higher prices on low-cost items that they buy infrequently. Whatever may be the reasons, for price changes marketers need to make sure that they convince the customers about the necessity of making price changes in the products and services they offer, otherwise they will face losing customer loyalty forever.

(ii) Competitors' Reactions : Companies should assess the competitors' reactions before going for any price change. Competitors are most likely to react when the number of firms in the industry is small, the product is homogeneous, and the buyers are highly informed. The firm can estimate its competitor's reaction from two points. One is to assume that the competitor reacts in a set way to price changes. The other is to assume that the competitor treats each price change as a fresh challenge and reacts according to self-interest at the time. In this case, the company will have to figure out what lies in the competitors self-interest.

When there are several competitors, the company must estimate each close competitor's likely reaction. If all competitors behave alike, that analysis of a typical competitors would be sufficient enough. It the competitors do not react uniformly because of differences in size, market shares, or policies, then separate analyses are necessary.

11.7 Summary

Pricing of products and services is a crucial issue for managers and involves a thorough and a deep understanding of principles and practices govering the business environment. Despite the increased role of non price factors in the modern marketing process, price remains a critical element of the marketing mix. Price is the only one of the four Ps that produces revenue; the other three Ps produce costs. There are numerous factors which affect the pricing decisions of a company, mainly they include : business and marketing objectives, marketing strategy of company, demand of product, costs structure, competitive environment, government regulations, product life cycle and customer expectations.

In setting its pricing policy, a company follows a six-step procedure. First, it selects its pricing objective i.e., what it wants to accomplish with its product offer (survival, maximum current profit, maximum current revenue, maximum sales growth, maximum market skimming, or product-quality leadership). Second,it estimates the demand curve, the probable quantities that it will sell at each possible price. Third, it estimates how its costs vary at different levels of output, at different levels of accumulated production experience, and for differentiated marketing offers. Fourth, it examines competitors' costs, prices and offers. Fifth, it selects one of the following pricing methods: markup pricing, target-return priceing, perceived-value pricing, value pricing, going-rate pricing, or sealed-bid pricing. Finally, it selects the final price, taking into account psychological pricing, the influence of other marketing-mix elements on price, company pricing policies, and the impact of price on other parties.

Usually companies select pricing structure instead of selecting a single price. This pricing structure is set while taking into consideration of that what pricing strategy the company is following. There are several pricing strategies available. After developing their pricing strategies, firms often face situations where they need to change prices. A price decrease might be brought about the excess plant capacity, declining market share, a desire to dominate the market through lower costs, or economic recession. A price increase might be brought about by cost inflation or overdemand. The firm facing a competitor's price change must try to understand the competitor's intent and the likely duration of the change. The firm's strategy often depends on whether it is producing homogenous or nonhomogeneous products. Market leaders who are attacked by lower-priced competitors can choose to maintain price, raise the perceived quality of their product, reduce price, increase and improve quality, or launch a low-price fighter line. The best response depends on several factors.

11.8 Key Words

- **Cash Discount :** These are price reductions based on promptness of payment used to overcome bad credit risk.
- **Discriminatory Pricing :** This is a method is which the marketer discriminates his pricing on certain basis like type of customer, geographical location and so on.
- **Elastic Demand :** Demand is elastic when a certain percentage change in price results in a larger and opposite percentage change in demand.
- **Fixed Costs :** Fixed costs, also known as overhead costs, are not affected by level of production or sales.
- **Functional Discounts :** Functional discounts (also called trade discounts) are offered by the manufacturer to trade-channel members (wholeseller, retailer etc.) if they perform certain functions, such as selling, storing and record-keeping.
- **Inelastic Demand :** Demand is inelastic when a certain percentage change in price results in a

smaller and opposite percentage change in demand.

- **Market Penetration :** When firm decide to charge in favour of a lower price to penetrate deeper into the market and to stimulate market growth and capture a large market share.
- **Market Skimming :** The firm decide to charge high initial price to take advantage of the fact that some buyers are willing to pay a much higher price than others as the product is of high value to them.
- **Perceived Value Pricing Method :** In this method, prices are decided on the basis of customers' perceived value. Companies see the buyer's perceptions of value, not their seller's cost as the key indicator of pricing.
- **Price :** Price is the exchange value of goods and services in terms of money.
- **Quantity Discounts :** Quantity discounts are price reduction related to the quantities pruchased as it depends on the size of the order, measured in terms of physical units of a particular commodity.
- **Target Return Pricing :** In this method, the firm decides the target return that it wants to earn on the capital invested in business and then decides the price of its product.
- **Unitary Demand :** This demand occurs when a percentage change in price results in an equal and opposite percentage change in demand.
- **Value Pricing :** In this method, the marketer charges fairly low price for a high quality offering. This method proposes that price represents a high value offer to consumers.
- **Variable Costs :** These costs are directly associated with the production and sales of products and consequently, vary according to the level of production or sales.

11.9 Self Assessment Test

1. What do you mean by price? Explain the objectives of pricing policy of a business firm.
2. Explain the importance of pricing in a marketing mix. What are the determinants in pricing a product?
3. What are the factors affecting pricing decisions in a marketing organisation?
4. Why do pricing objectives vary from organisation to organisation? What is the importance of pricing objectives in deciding the future of a firm?
5. Discuss the basic methods of pricing and on what situation each of these methods will hold relevance?
6. What are various kinds of pricing strategies? Discuss each one of them with examples.
7. What factors affect price-sensitivity? What factors influence the pricing strategy of a firm?
8. How should the price of a new product be decided? In what situation should a company follow initial high pricing strategy?
9. What are the merits and limitations of the cost-plus method of setting a base price?
10. Name three products, including at least one service, for which you think an inverse demand exists. For each product, within which price range does this inverse demand exist?

11.10 Reference Books

1. Etzel, M.J., Walker, B.J. and Stanton W.J. (2004) : "Marketing", 13th edition, Tata McGraw Hill, New Delhi.
2. Jain, S.C. (2004) : "Marketing, Planning and Strategy", 6th Edition, Thomson (South-Western),

Singapore.

3. Kotler, P., (1998) : "Marketing Management : Analysis, Planning, Implementation and Control", 9th edition, Prentice Hall of India, New Delhi.

4. Kotler, P., Keller, K.L., Koshy, A., Jha, M. (2007) : "Marketing Management : A South Asian Perspective", 12th ediction, Pearson Education, New Delhi.

5. Panda, T. (2008) : "Marketing Management : Text and Cases, Excel Books, New Delhi.

6. Ramaswami, V.S. and Namakumari, S., (2002) : "Marketing Management : Planning, Implementation and Control", 3rd edition, McMillan India Ltd., New Delhi.

Unit-12 : Distribution Channel Decisions

Unit Structure

12.0 Objectives

After studying this unit you should be able to understand:

- Concept of Channels of distribution
- Distribution Channel decisions
- Analyzing Customers' Needs
- Stating Distribution Channel Objectives
- Identification of Channel Alternatives
- Deciding Number of Intermediaries to use at each Channel level
- Determination of terms and Responsibilities of Channel Members
- Evaluation of Channel alternatives
- Channel Management
- Channel Conflict Management

12.1 Introduction

Progress and prosperity of a manufacturing concern depends on efficient performance of production and distribution functions. For the manufacturers, production has always remained an area of attention whereas distribution has assumed greater importance because of mass production. In this competitive business world, the production function is commenced with the complete plan of distribution of products.

Distribution is an integrat part of marketing. It includes formulating distribution policies and strategies, selection of distribution channels, motivation of middlemen, managing channel conflicts, etc. Various activities involved in distribution function can be divided into two parts:

(i) Organizational Activities: These activities are concerned with the following issues:

- Will the direct selling to the consumers be advantageous?
- Through what channels the products are to be distributed?
- How the channels are to be selected?
- Should a particular middleman be used or not?
- Should selling agents be employed?

(ii) Operational Activities: These activities refer to physical distribution of products and include all physical operations involved in moving products from one place to another. Transportation, warehousing, storage etc. are also included in these activities.

12.2 Distribution Channel Decisions

For understanding channels of distribution a clear understanding of 'Distribution' and 'Channel' is necessary.

- **Distribution :** The word distribution refers to an activity or series of activities which physically bring the products of a particular manufacturer in the hands of final consumers or industrial users.
- **Channel :** The terms channel refers to canal or path through which the products flow from producers to consumers or industrial users. In other words, the channel is a link between producers and consumers or industrial users.
- **Channel of Distribution :** A channel of distribution consists of a producer, consumer and various middlemen. For example, Producers—Wholesalers—Retailers— Consumer is one channel of distribution.

The sucsess of a markets depends on the soundness of decisions pertaining to channels of distribution which are carefully taken by the management before starting the production on commercial scale. These decisions include analyzing customer needs, establishing distribution channel objectives, identifying major channel alternatives, deciding the number of intermediaries to be used at each channel level, determination of terms and responsibilities of channel members, evaluation of channel alternatives for making channel-choice, and management of the selected channels, and management of channel conflict. These are the most critical decisions to be taken by the managers these days.

12.3 Analyzing Customers' Needs

For making distribution channel decision, it is necessary for a marketer to understand the customers' needs and expectations. Generally speaking, the customers need greater service outputs at lower price. It is a fact that providing greater service outputs requires high channel costs resulting into higher prices for customers. It is also true that service needs of various customers differ. All customers cannot or do not pay high prices. Many customers accept smaller service outputs if they get the product at lower price. Various service outputs provided by channels and customers' needs are as under:

- **Number of Units :** The number of units also called lot size, allowed to be purchased by a channel at one time influence customers' buying decisions. Some customers want a channel that allows buying a small lot size whereas others, particularly institutional buyers, prefer a channel from which large lot size can be bought.

- **Time taken for delivery :** It refers to the average time the customers of a particular channel are required to wait for receiving goods. Nowadays no one likes to wait. Every customers prefers faster delivery channels reducing customers' waiting time.
- **Convenience in purchasing :** It is the degree to which a distribution channel make the purchase of products easier. The customers prefer to avoid difficulties in purchasing products.
- **Product variety :** Technically known as assortment breadth, it refers to the group or set of products provided by the distribution channel. The customers need greater assortment to be able to find what they like from large variety of products.
- **Services provided :** Various services such as credit facility, repair, installation help etc., provided by a distribution channel influence customers' purchase decision. In other words, greater the service backup, more the customers' preference for the channel.

In a nutshell, clear understanding of customers' needs enables a manufacturer to make right distribution channel decision. Moreover, in the light of customers' needs manufacturers have to plan service output levels.

12.4 Establishing Distribution Channel Objectives

Manufacturers have to state channel objectives in terms of targeted service output levels. On the basis of product characteristics, the channel objectives also vary. More direct distribution is required in case of perishable products. Bulky products require channels that minimize the amount of handling. Products requiring technical services such as installation and maintenance are required to be sold by the franchised dealers or by manufacturers directly. The broad objectives of distribution channels may be:

- To ensure trade product availability in the market place.
- To create uninterrupted relationships with the middlemen.
- To minimize channel costs and still provide desired levels of services output.

In a nutshell, the channel objectives vary with product characteristics, competitive conditions, economic conditions, legal regulations and restrictions, etc.

12.5 Major Channel Alternatives

Manufacturers can reach the customers through a wide variety of channels from sales force to agents, distributors, dealers, direct mail, telemarketing, and the internet. Each channel has its pros and cons. Some channels are expensive but very suitable whereas other channels may be less expensive but having some limitations. For example, internet is less expensive but it cannot handle complex products.

Therefore, manufacturers have to identify existing channels and also search for innovative channels of distribution. A channel of distribution consists of a producer, consumer and various intermediaries. The intermediaries transfer title or possession of the products from producers to customers. There are direct, indirect and mixed channels of distribution. Manufacturer's own system of delivery of products to the consumers/users is called direct channel. Indirect channel refers to the distribution of products through intermediaries. Mixed channel is a combination of direct and indirect channels.

In a competitive market the success of a manufacturer depends upon the selection of most appropriate and economical channels of distribution. A marketer should therefore have clear understanding of various channels of distribution described below:

- **Direct channel :** It is known as Manufacturer—Consumer channel. Under this channel the producer makes direct contact with the consumer/users. In case of industrial goods this channel is very common.

Heavy machinery, industrial chemical etc. are all marketed through direct channel. In a direct way the manufacturer reaches the customers in any of the following ways:

(a) Mail order selling

(b) Door-to door selling through sales force.

(c) Multiple shop selling i.e. by opening retail shops.

(d) Vending machines

(e) Computer-interactive retailing

Advantages: This is a shortest channel of distribution beneficial for both manufacturers an consumer/users in the following ways:

(i) Original and unadulterated products reach the customers at comparatively low rates, and

(ii) Manufacturers can directly get the desired information about the customers. Moreover, they can exercise price control and face competition in an effective way.

Limitation: The limitations of direct channels are:

(i) The customers have no opportunity of comparative choice and bargaining.

(ii) Distribution becomes burdensome for the marketer.

(iii) Fixed cost of distribution cannot be reduced in case there is sales reduction.

Indirect Channels :

The manufacturers can also reach the customers through intermediaries i.e. through indirect channels which are described as follows :

Distribution Channels for consumer Goods:

(i) Producer—Retailer—Ultimate Consumer Channel:

In this channel, the wholesales are avoided totally as the manufacturer assumes the functions of wholesalers as well. This channel is very suitable in case the buyers are big retailers like departmental stores. If the product needs speedy distribution due to its perishable nature, this channel is again very suitable.

(ii) Producer—Wholesaler—Retailer—Consumer Channel:

It is a traditional channel. The wholesalers, in this channel, buy in large quantities and sell in small quantities to large number of retailers. The wholesalers sell at a price higher than the purchase price to make profit. The channel is very good for medicines, groceries and many other consumer goods. This distribution channel is suitable for the manufacturers whose products are durables and not subject to physical deterioration. But this channel is not free from limitations. Manufacturers lose contact with dealers due to over dependence on wholesalers. Moreover, the wholesalers sometimes can not increase sales as they have different products of different producers to sell.

(iii) Producer—Agent—Wholesaler—Retailer—Consumer Channel:

In this channel, the services of an agent middleman are used who sells to the wholesalers or large retailers. Manufacturer uses this channel when – (a) there are limited resources to employ sales force, or (b) the management has decided to get rid of marketing tasks.

(iv) Producer—Wholesaler—Consumer Channel:

No retailers are used in this channel. The manufacturer sells to wholesalers who sell to the consumers directly without involving retailers. This channel is used only if large buyers are there such as industrial houses, institutions, government, etc.

Distribution Channels for Industrial Goods :

The distribution of industrial goods takes place through the channels which are shorter as compared to those used for consumer goods. A brief description follows:

1. **Producer-Industrial User:** The manufacturer of large installations such as generators, locomotives, etc. sell to the users directly.
2. **Producer-Distributors-Industrial User :** To reach the industrial users this channel is used by the manufacturers of operating supplies and small accessory equipment.
3. **Producer-Agent-Industrial User:** This channel is useful for the manufacturers not having their own marketing department. Some manufacturers may use agents rather than their sales force to introduce a new product in the market.
4. **Producer-Agent-Distributor-Industrial User:** In case it is not possible to reach the users directly through the agents, the services of industrial distributors are also utilized.

12.6 Classification of Intermediaries

Manufacturers have to make a strategic decision regarding the number of intermediaries to be used at each channel level. Three alternative strategies are available:

1. **Exclusive Distribution :** It involves the use of limited number of intermediaries for maintaining control over the service output levels. It is a sort of exclusive selling agreement with the distributor selected for one particular area called 'territory'. The distributor is given the exclusive right to sell in that particular territory. There is an agreement of the manufacturer with the distributor not to sell the goods to any one else in that territory. The distributor also agrees not to sell any competing. Exclusive distribution is ideal for products which are frequently purchased, consumed over a long time and require service/information for use. Scooters, motor cycles, motor cars etc. are the examples of products marketed through exclusive distribution strategy.
2. **Selective Distribution :** It involves the use of that number of intermediaries which is more than a few but less than all of those who are ready to sell the particular product. The manufacturers using selective distribution have not to worry about so many outlets for controlling them. Moreover market can be sufficiently covered at the cost comparatively less than intensive distribution. However, there is a limitation that a large city market can not be entirely covered through selective distribution. The suitability of this strategy is for the products which are not purchased frequently like convenience goods and also which are of higher unit price.
3. **Intensive Distribution:** It involves the use of maximum number of intermediaries to place the products in maximum possible outlets. The idea is to make the product readily available to the prospective buyers as they frequently purchase these convenience goods. The intermediaries therefore, maintain high stock of these products. Intensive distribution is suitable for tobacco products, newspapers, soft drinks, bread, shaving blades, soap, etc.

All these distribution strategies have their own strengths and weaknesses. However, the manufactures are attracted by intensive distribution to increase sales and market coverage. For marketers it is a field of strategic decision making.

It will not be out of place to know about various intermediaries in channels of distribution . There are two categories of intermediaries on the basis of the fact "Whether the title to the goods is taken by them or not." They are described as under:-

(A) Merchant Middlemen: These are those middlemen who take title to the goods and later sell them. Wholesalers and retailers are the best examples of merchant middlemen.

(B) Agent Middlemen: These middlemen do not take title to the goods. They simply get orders from the buyers and pass them on to the sellers. They function on behalf of their principals to help in negotiating sales or purchases or both in return of commission. Some agent middlemen are:

1. **Commission Agents:** Commission agents on being appointed on the principals buy and sell goods at the best possible terms and conditions without taking title to the goods. They take possession of the goods and enjoy broad powers as to prices, terms of sale etc, no doubt the instructions of the principals are obeyed by them.
2. **Brokers:-** The agents who negotiate the sale or make contracts for the sale and purchase of goods without having physical control of goods are known as brokers. Obviously they act on behalf of their principals and get commission for rendering the services. The commission of a broker is called brokerage.
3. **Selling Agents:** A selling agents is a middleman who takes over all the selling activities of the goods produced by his principal and enjoys authority and control over prices and other terms and conditions of sale. He negotiates sales of the goods produced by his principal. He sometimes advertises the products he sells and organizes his own sales department. He may also advise his principal on what kind of products should be produced.
4. **Manufacture's Agent:** He is an agent appointed by the manufacturer to sell his products in new territories or in an area where his sales are limited. The manufacturer appoints such an agent to create demand for his product in that particular area as the agent can popularize his product being already active in selling other products there. The electric goods, furniture, domestic equipment , etc., are sold through such agents.
5. **Auctioneer:** There is an auction method of sale under which the auctioneers take possession of the goods, display them and sell to the highest bidder thereby transferring ownership to the buyers . As such, the auctioneers sell to the highest bidder , subject to any minimum price fixed by the seller.The agricultural producers employ the auctioneers who provide many services such as providing location for bidding , provide temporary storage, making advertisements , etc. The auctioneers take commission on the sale proceeds of goods.
6. **Export and Import Agent:** These agents are experts in Foreign trade operating in port cities. They provide number of services in connection with export/import trade. These agents act as selling agents , commission agents , brokers etc.

12.7 Determination of Terms and Responsibilities

Determination of rights and responsibilities of various channels members is also an important task before the marketers. Respectful and profitable participation of channel members is to be ensured for the success of the channel. Sound decision are, therefore to be made on the following elements of trade-relations mix:

1. **Price policy:** Manufacturers need to prepare price list. Sufficient discount offers are also to be communicated to the intermediaries.
2. **Conditions of sale :** Terms related to cash discounts to ensure early payments are to be made clear. Gurantee against defective products or price declines is also necessary to be provided.
3. **Territorial rights of intermediaries :** It refers to clearifying distributor's territories and the terms

of credit etc.

4. **Mutual services and responsibilities :** The services and responsibilities of manufacturers and interdediaries must be carefully decided particularly in franchised and exclusive agency channels.

12.8 Evaluation of Channel Alternatives

As a large number of channels of distribution are avialable to the manufacturer for bringing products to ultimate consumers, a most suitable channel has to be selected having evaluated all channel alternatives. There are number of factors which influence the choice of channels. Therefore, different channel alternatives have to be evaluated against the following factors:

Economic factors : Cost of distribution reflects in price of the product. Therefore, the cost involvement and the level of possible sales through each channel are two important economic criteria against which channel alternatives are to be evaluated. A comparison of probable sales levels and estimated costs of various channels is to be made to decide about the suitability or otherwise of different channels.

Control consideration: Direct channels of distribution are good from control point of view but using a sales agency poses a control problem. Middlemen have their own object of maximising profits which may result into their behaviour undesirable from manufacturer's point of view.

Adaptiveness : Everything is changing in this world and product markets are no exceptions. Therefore, the channels and the distribution policies must have high degree of adaptability so that a manufacturer is able to respond to the changing markets.

The Nature of the product : The nature of the product refers to physical characteristice of the product. The choice of the distribution channels is greatly influenced by the nature of the product and other product considerations which are explained below:

- **(a) Product perishability :** It refers to physical or fashion perishability. Perishable products require speedy distribution through short channels as delays result into persihability/obsolesence of products fetching little or no returns.
- **(b) Product standardisation :** Standardised products need direct contact between producers and users so they require short channels.
- **(c) Highly technical nature of product :** Highly technical industrial products need to be distributed directly to the industrial users because pre-sale and post-sale services are to be provided to the users which is normally not possible for the middlemen. However in case of consumer products, no doubt some middlemen are involved yet services are provided by the producers.
- **(d) Heavy weight and bulky products :** In case of such products direct distribution through trucks/ wagons is preferred to minimise distribution cost by minimising physical handling.
- **(e) Unit value of product :** The product with low unit value reach the consumers/users through longer channels of distribution. High unit value products can be directly sold as we see in case of high unit value industrial products.

The Nature of the market : It is very important factor influencing the choice of channels of distribution as the number and type of customers really influence the channel decision. Various market factors are as under:

- **(a) Consumer/Industrial market :** If the products is intended for industrial market, the retailers will not be included in the distribution channel. If the product is meant for consumer market, the services of the retailers will have to be utilised. More than one channel will have to be utilised if the product is intended for both consumer and industrial markets.

(b) **Size of the market :** In case of large number of potential customers more middlemen are required. If there is small size of the market, it is possible for the company to sell directly.

(c) **Geographic nature of market :** Concentration of buyers in few areas encourages direct sales. On the other hand, widely scattered buyers can be reached through a large number of middlemen.

(d) **Size and frequency of orders :** Channel choice is also influenced by the size and frequency of the customers' orders. Direct selling is more economical if the size of the order is bigger i.e. if the volume of sales is large. Small qunatity order can be conveniently executed through the services of retailers and other middlemen.

(e) **Consumer factors :** The consumers' ability to pay, willingness to pay, buying motives and habits, desire for credit, age, sex, religion, living style, etc., all have the bearing on the channel policies.

Factors pertaining to intermediaries : The selection of suitable distribution channel is also affected by the factors pertaining to the middlemen. These factors are as under :

(a) **Marketing services provided by middlemen :** Sometimes the middlemen can provide the special marketing services which are urgently needed by the producers. for example, for a new product an agent can provide comparatively better aggressive promotion services. A wholesaler can comparatively provide better storage facilities. Therefore, the choice of middlemen will definitely depend on the consderation of various marketing services provided by middlemen.

(b) **Availability of appropriate middlemen :** Sometimes suitable middlemen are not available or they may be dealing in competitive products not willing to add another line of product. In such cases obviously the direct selling is the only choice.

Company Consideration : The channel choice/decision is also influenced by the size of the company. Generally a large company is more likely to select shorter channels. Various company/enterprise factors are:

(a) **Experience of management :** A new company heavily relies on middlemen because of little or no marketing experience of the management.

(b) **Financial resources :** An enterprise with sound financial position can afford to reduce the levels of distribution. Such a business enterprise can grant credit, employ its own sales force, establish its own branches, warehouse its own products, etc. But the business house with inadequate financial resources will have to rely on various middlemen for their services.

(c) **Reputation :** For well reputed companies there is always scope for availability of channels and middlemen of their choice. For the companies with little/no reputation it is a difficult task to acquire a channel of their choice.

(d) **Marketing Serrvices provided by the company :** The channel decision is also influenced by the quantity and quality of marketing services which can be provided by the company itself. Frequently the middlemen demand for heavy advertising, in-store display, missionery salesmen, etc.

Environmental Factors : The decision of selection of the suitable distribution channel is also influenced by the overall marketing environment. In recessionery phase, shorter and economical channels are selected. Prosperity encourages for relatively costlier longer channels.

Legal/regulatory Factors : The distribution channel decisions are also influenced by governmental regulations in case of some products. The regulations pertaining to special taxes, inspection requirements, restrictions on markets where the products can be sold etc. need consideration before selection of the channel. Drugs, alcoholic beverages etc. are examples of the products under regulatory influence.

Competition : The nature and extent of competition in the industry needs careful analysis while making the channel decision. When products with minor differences are offered to the same markets, the same type of channels is used by the competitors. It is so because the channels are already familiar to the buyers. Moreover the selection of totally different channel may decrease the sales and /or increase the cost of distribution. However, if the producer is convinced that a particular new channel could be more efficient and effective, there is no harm in optional for that particular channel.

In a nutshell, a producer has to carefully consider a number of factors to select a right channel of distribution. It is an age of global competition and the law of 'the survival of the fittest' applies. The products must reach the consumer/users in an economical, efficient and effective way. There is need to make wise blend of pro-producer factors and pro-consumer/user factors. The world is fastly changing. The internal and external business environment analysis can guide in the field of making distribution channel decsions and reviewing them constantly.

12.9 Channel Management Decisions

When a particular channel alternative is selected by the manufacturer, the need arises for channel management which involves the following decisions :

1. **Selecting Channel Members :** After selecting a channel alternative, companies are required to select individual intermediaries carefully. An intermediary being index of company for the customers, the company requires a lot of information about the channel members for making right selection. The intermediary's number of years in business, growth and profit record, other lines carried, reputation, cooperativeness, financial soundness etc., are to be evaluated for the purpose of channel member selection. If the intermediaries are departmental stores, the information regarding their locations, type of customers served etc. influence the channel member selection decision.

2. **Training Channel Members :** The companies are rquired to formulate training programmes for the intermediaries to make them aware of company plans and policies, knowledge of the product, technical details of the product, laws pertaining the products, etc., to ensure success of the channel members.

3. **Motivating Channel Members :** No channel of distribution can be successful unless all the channel members function efficientlty and effectively with enthusiasm. The companies, therefore, need to motivate the channel members by giving them various incentives having understood their needs and wants. Negative and positive motivators can work in this direction:

    - Negative motivators include threat to withdraw a facility, terminate a relationship, reduce margins, slow down delivery etc. These motivators are no doubt effective but they result into presenting and conflicting behaviour of channel members.

    - Positive Motivators include giving higher trade margins and allowances, training in accounting, providing display stands etc. A number of positive incentives can emerge from creative thinking of the management.Motivating channel members require manufacturers to develop channel power which refer to the ability to alter channel member's behaviour from undesirable to desirable actions.

4. **Evalutaion of channel members:** The channel members being outside the organisation need to be closely watched and their performance must be periodically evaluated against the expectations and already laid down standards such as attainment of sales quota, maintenance of inventory levels, cooperation in promotional and training programs etc. Underperformers need to be motivated, trained, counselled, or terminated.
5. **Modifying channel Arrangements :** The business world is fastly changing. The consumer buying behaviour changes, new rivals enter the market, new channels of distribution emerge, new discoveries and inventions take place etc. With such changes the existing channels sometimes fail to keep pace with time, and their performance remains below the planned level. The manufacturer must, therefore, periodically review and modify its existing channel arrangements. In other words, the manufacturers have to add or drop individual channel members, add or drop particular channel of distribution, or make totally new channel arrangement.

    In a nutshell, the success of channel members depends upon the proper selection, training, motivation, evaluation and modification to keep pace with new expectations of the markets.

12.10 Management of Channel Conflict

Channel Conflict :

Conflict is part and parcel of human life. There is presence of conflict in some form or degree in all organisations. A situation in which two or more parties feel themselves in opposition is known as conflict. When a person perceives that another person has negatively affected the interest of the first person, conflict is said to be there.

The marketers, select and manage channels of distribution with lot of care, but they can not make channels free of conflict. It is so because the interests of various business houses in the channels of distribution are different and the behaviour of one may go against the interests of other/s. When actions of one channel member do not allow a channel to achieve its goals, channel conflict is said to have started.

Types of channel Conflict : The channel conflict may be

Vertical conflict : When within the same channel, there is conflict between different levels, a vertical channel conflict is there. The examples are the conflict between wholesalers and retailers or conflict between producers and wholesalers. Lack of clarity of terms and responsibilities of various channel members sometimes results into the actions of the members going against the interests of each other.

Horizontal channel conflict : It refers to conflict between channel members functioning at the same level with in the channel. For example, the conflict between various wholesalers or retailers.

Multichannel conflict : As it is clear from the heading, when two or more channels are selected to sell to the same market, there exists multichannel conflict. Sometimes members of one channel are treated better as compared to the members of another channel because of more quantity of purchases made by them. This gives rise to conflict between different channels.

Causes of Channel Conflict : The members must have deep understanding of various causes of channel confict to equip themselves fully to manage distribution channel conflict. There causes are :

Role ambiguity : Role ambiguity is one of the reasons for channel conflict. When roles and rights of various channel members are not clearly defined, conflict is bound to occur. The marketer himself is responsible for such conflicts.

Goal incompatibility : The goal of various channel members have a powerful impact on their relationships. Inter member conflict in a channel arises because of goal incompatibility i.e., goal attainment by one member may prevent or reduce the level of goal attainment by one or more other channel members. For example, the manufacturer may decide low-price policy and dealers may prefer high margins to earn high profits in the short-run.

Difference in perception : The perception varies from man to man. The manufacturers may perceive favourable economic environment in the long-run whereas the dealers may have pessimistic outlook resulting into different behaviour giving rise to disputes.

Attitude of Channel Members : The attitudes that channel members hold towards each other can be cause of the nature of their relationship. If the channel members' relations begin with the attitude of distrust, secracy, closed communications, etc., the result will, obviously, be channel conflict.

Effective Conflict Management :

Generally, conflict is perceived to have negative connotations. But nowadays, there is belief that conflict is necessary positive force for channel success. Conflict is bad when it becomes dysfunctional. It is a fact that despite all efforts channel conflict cannot be eliminated. It is, therefore, necessary to manage the conflict effectively.

There may be two approaches for managing channel conflict. Preventive measures and curative measures. In the preventive measures, the marketers try to create an environment where dysfunctional conflicts do not take place. The curative measures include the resolution of conflicts when they take place and become dysfunctional. Such preventive and curative mechanisms for effective conflict management are as under:

1. **Establishing Common Goals :** Most of the conflicts are the results of incompatible goals of channel members. The setting of common goals can reduce the occurrence of dysfunctional conflicts. The channel members, when the channel faces an outside threat, set the common goals in the form of survival, market share, customer satisfaction etc., and jointly seek the goals leaving no room for conflict.

2. **Exchanging persons between two or more channel levels :** When the persons are exchanged between two or more channel levels, the cooperation and coordination take place. The misunderstanding, if any, between the channel member is gone and better and healthy relations develop.

3. **Co-optation :** Sometimes, one organisation includes the leaders of another organisation in advisory boards, boards of directors, etc., to win their support. This is done to reduce conflicts by gaining their support.

4. **Encouraging joint membership in trade associations :** Conflicts can also be minimised by encouraging joint membership in and between trade associations.

5. **Diplomacy, Mediation and Arbitration :** These are applicable when conflict is chronic or more intense. In case of diplomacy the conflicting parties send their representatives to meet and resolve the conflict. Mediation is resorting to a neutral third party who works for the acceptable solution of the problem for both the parties. In case of arbitration the disputing parties agree to present their arguments to one or more arbitrators. The parties then accept the decision of arbitrator/s.

6. **Filing Suit in the Court :** When all the above mentioned conflict management mechanisms fail, a lawsuit can be filed which is the last resort. The disputing channel parties can fight legal battle to seek justice and safeguard their interests.

In a nutshell, it is a big challenge for the managers to ensure effective conflict management before it becomes dysfunctional. It is possible if channel members are brought together to ensure achievement of channel goals. If channel cooperation and coordination is there, no channel conflict can exist in the organisation.

12.11 Summary

Distribution function is an important function which has attracted attention of the managers in these days of global competition. Having produced the goods, it is necessary to reach the consumers/industrial users and the manufacturers resort to direct and indirect ways for this purpose. Direct selling is not possible for all producers. Therefore indirect channels i.e. reaching customers through intermediaries is the way out for the manufacturers. Right choice of the channel/s of distribution is a basic and important decision. The management has therefore to make various channel decision which include studying customer needs, setting distribution channel objectives, identifying major channel alternatives, deciding the number of intermediaries to be used at each channel level, fixing terms and responsibilities of various channel members, evaluating various channel alternatives for selecting the best channel, managing the selected channel and the channel conflict, if any. These channel decisions are among the most critical decisions to be made by company management.

Distribution channels selected once can not be used for ever. Continuous changes occur in channels. Effective channel management, therefore, requires continuous training and motivation of intermediaries. Despite best channel management efforts, conflict creeps into channels because of role ambiguity, goal incompatibility etc. By striving for common goals and applying other techniques channel conflict can be converted into channel coordination which ensures success of the marketing channel and that of the marketers as well.

12.12 Key words

- **Agent Middleman** : A middleman who does not take title to the goods. Having received an order from the buyer passes it on to the seller.
- **Assortment** : A group or set of things/products of various types.
- **Broker** : An agent who does not have direct physical control over goods, but represents either buyer or seller in negotiation.
- **Channel** : It is link between producer and consumer of a product.
- **Channel Conflict** : A situation resulting from one channel member's actions preventing the channel from achieving its goals.
- **Distribution** : Operation/s which physically bring products of manufacturers into the hands of ultimate consumers/users.
- **Distribution Channels** : Also called marketing channels, these are the paths that goods, and title to them, follow from producer to consumer.
- **Manufacturer's Agents** : One who exclusively sells a particular manufacturer's goods.
- **Middleman** : Individual or institution in the channel of distribution, between manufacturer and ultimate consumer/user, who performs functions that are involved in buying and selling of goods.
- **Merchant Middleman:** A middleman who takes title to the goods and later sells them.
- **Wholesaling** : It refers to the activities of persons or firms who sell to retailers.

12.13 Self Assessment Test

1. What do you understand by channel of distribution? Name the various distribution channel decisions?
2. What are the various service outputs provided by channels?
3. Explain the various channel alternatives.
4. Classify the various intermediaries and give their description.
5. Explain the factors affecting the choice of distribution channel
6. What are the decisions involved in management of selected channel of distribution.
7. How will you motivate a channel member?
8. What do you understand by establishing distribution channel objectives?
9. Why determination of terms and responsibilities of channel members in necessary?
10. What is channel conflict? How can channel conflict be managed effectively?

Unit-13 : Marketing Communication

Unit Structure

13.0 Objectives

After completing this unit you will be able to understand:

1. Marketing communication's context.
2. Some marketing communication objectives.
3. The marketing communication process.
4. How a marketing communication plan is developed.
5. The nature of marketing communication research.
6. The concept of promotion mix.

13.1 Introduction

In the past, a number of terms have been used in the field of marketing communications the most common of which appear to be 'advertising' and 'promotion'. The origin of these two words help us to define what marketing communications entails, namely the pushing forward of products or services and the turning of the consumer towards the product or service. Once these two elements are met there is a chance of a sale. Marketing communications includes a number of elements that make up the marketing communication mix: advertising, personal selling, sales promotion, publicity, direct marketing and cyber marketing.

Marketing communication is an integral part of a marketing strategy and often forms a very significant linkage between the firm and the market. Thus it is a continuing dialogue between buyers and sellers in a market place. Marketing communication can be defined as:

"Marketing communication is the process of presenting an integrated set of stimuli to a target with the intent of evoking a desired set of responses within the target market and setting a channel to receive, interpret and act upon messages and identifying new communication opportunities." Thus we can say that marketing communication is focused on the creation and execution of message and other related media used to communicate with a market.

The basic objective of marketing communication is to generate demand in the market, product positioning by the optimal combination of communication elements in order to minimize effect in the target market.

Marketing communications are the messages and related media used to communicate with a market. Those who practise advertising, branding, direct marketing, graphic design, marketing, packaging, promotion, publicity, sponsorship, public relations, sales, sales promotion and online marketing are termed marketing communicators, marketing communication managers.

Marketing communications is focused on product/produce/service as opposed to corporate communications where the focus of communications work is the company/enterprise itself. Marketing communications is primarily concerned with demand generation, product/produce/service positioning while corporate communications deal with issue management, mergers and acquisitions, litigation etc

Marketing Communications is a term used to describe a holistic approach to communication. It aims to ensure consistency of message and the complementary use of media. The concept includes online and offline marketing channels. Online marketing channels include any e-marketing campaigns or programs, from search engine optimization (SEO), pay-per-click, affiliate, email, banner to latest web related channels for webinar, blog, micro-blogging, RSS, podcast, internet radio and internet television. Offline marketing channels are traditional print (newspaper, magazine), mail order, public relations, industry relations, billboard, radio, and television. A company develops its integrated marketing communication programme using all the elements of the marketing mix (product, price, place, and promotion).

Thus we can say that the marketing communication is integration of all marketing tools, approaches, and resources within a company which maximizes impact on consumer mind and which results into maximum profit at minimum cost.

13.2 Objectives of Marketing Communication

As we have discussed that marketing communication is an integral part of marketing strategy and plays a vital role for bringing the marketer and the consumer closer to each other to achieve their respective objective.

These objectives are derived from the marketing objectives and there is a clear distinction between them. Marketing communication objectives can be formulated from the answers to four basic questions and there are a number of guidelines that will help this formulation.

- To communicate features of goods and services
- To introduce the new product
- To induce present customer to buy more
- To attract new customers
- To confront competition
- To maintain sales in off-seasons
- To explain where goods and services can be purchased
- To generate enthusiasm in channel members
- To increase retail inventories so more goods could be sold
- To establish close rapport with the customers

Marketing versus Communications Objectives:

It is very important to emphasize the differences between marketing versus communications objectives. Marketing objectives are generally stated in the firms marketing plan and are statements of what is to be accomplished by the overall marketing program within a given time period. Marketing objectives are usually defined in terms of specific, measurable outcomes such as sales volume, market share, profits, or return on investment. The achievement of marketing objectives will depend upon the proper coordination and execution of all the marketing mix elements, not just promotion.

Your marketing communication objective should describe what you want your target audience to think, feel, and do after they are exposed to your marketing message. It should answer the fundamental question, "What's in it for me?". To often, marketing messages fail to deliver the benefits the target audience will get if the target uses the companies product or service. People make purchases based on what they will receive out of the purchase or service. This is why it's important to include the benefit the target will receive, in your marketing message.

we can say that broadly, marketing communication objectives include:

1. Create a brand awareness for your company
2. Defining a need the product or service can fulfill
3. Encouraging action from the target

Defining your objectives may be a challenge at first, however, once you have a clear objective, then you will be able to move forward with your marketing communication strategy.

13.3 Marketing Communication Process

Communication has been variously defined as the passing of information ,the exchange of ideas, or the process of establishing a communication or oneness of thought between the sender and a receiver. Thus marketing communication is the link between the sender and receiver.

The marketing communication process can be very complex but it is based on the universal model used in all forms of communication which includes a sender, the message, receivers, a medium and, in the case of two-way communication, feedback. However, this universal model needs to be presented in the context of marketing communications in order that its relevance to marketing is understood. The purpose of a marketing communication campaign can best be described by reference to the hierarchy of communication effects represented by a four phase model.

Marketing Communication Process: Marketing communication is the message that deals with the buyer-seller relationship. True communication takes place only when the proper message reaches from the sender to the receiver. Such an exchange could be oral or written, personal or public, using words, figures, symbols or combination thereof. Therefore it is essential for the marketer to communicate his prospective buyer and provide them relevant information in a pursuasive language. The whole communication process contains various elements as shown in the figure 14.1

Communication can be defined as the sharing of a common meaning, i.e., Sharing of an orientation toward a set of informational signs. All communications are action-oriented. For the communication to be effective, there should be a common understanding between the sender and the receiver. Both have to be actively involved-the sender in sending the messages and receiver in receiving them and giving feedback to the sender. Communication is a social process which varies as societal factor varies. The process, the message, the objectives, etc. change as the social values changes. Culture, tradition, social institutions etc. have a wide impact on the communication process.

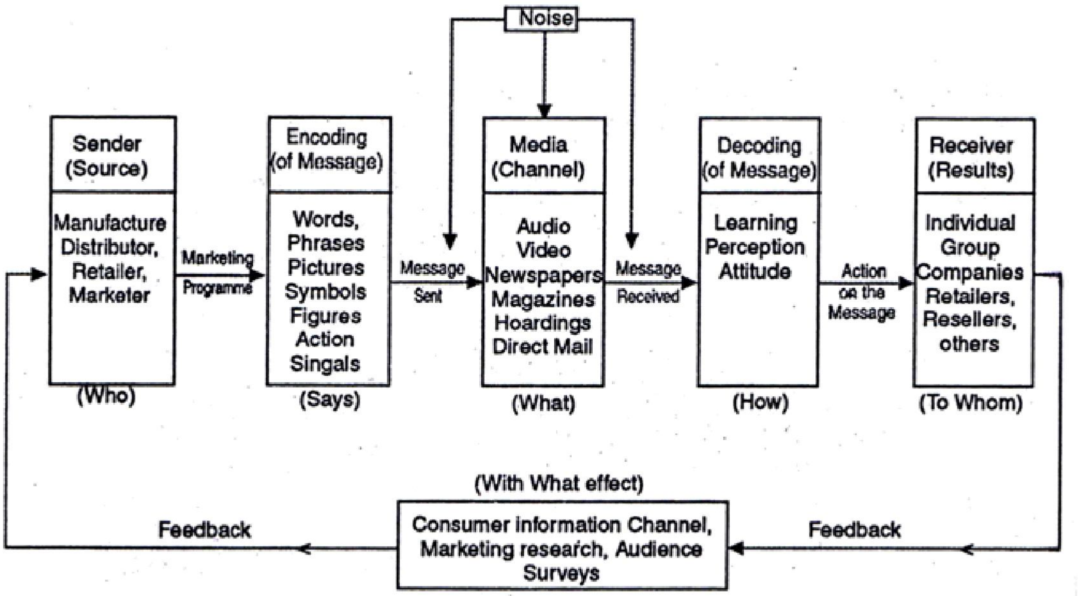


Figure: Marketing Communication System

Components of Communication Process: The main components of communication-mix are communicator who is the first component and communicate or sends the message. Sender must have clear objectives as to what he seeks to communicate. It is difficult to find the right mix of communicators. There may be copywriters, artists, merchandising specialists and other specialists who have helped the communicator to perform his job satisfactorily. This is two way communication whereby the sender and the receiver talk face-to-face. Each evaluate the other's attitude and desire. At the time of sending the message, the communicator must see, whether the receiver is capable at understanding and decoding the message as well as his willingness to listen. The communicator or salesman has more knowledge of the area, people, stratum, culture and other factors affecting the needs of the people. The role of the sale communicator is like that of marketing researcher who can arouse awareness, interest and encourage for adopting the new product.

Message is the second component in the communication process. The message may either visual or verbal. The effectiveness of any ad depends on how the messages are created and arranged. The message may be commercial idea, sales story and cow theme. The word, the picture, the symbol and other communicative elements are the bases of the message. The media of communication or ads are newspapers, magazines, television, radio etc. which create the interrelationship between receiver and sender. If there is a choice of channel the most effective message channel must be selected.

In the marketing communication process ,a sender sends the encoded through a medium for a receiver to receive and decode. Normally ,the marketing communication process has some dorm of feedback. As diagram shows Marketing communication process has five major components as described below:

1. Source
2. Encoding
3. The Medium
4. Decoding
5. Feed back

1. **Source :** Communication process starts when an individual ,group of individual or an organization wants to communicate some message to the target audience. Therefore, the sender of the message

is the source of communication destination through a medium. The communication destination in the process is called the receiver. This communication can take place in many ways ranging from face –to-face communication to communication through electronic media such as television, the internet, radio or the print media. Thus it is essential for the sender to communicate in such a way as to ensure the message is perceived by the receiver in the way it was intended to be.

2. **Receiver :** The receiver ,the destination of the communicated message, receives the message transmitted by the sender. The manner in which the communication is received is dependent on the perception of the receiver.

3. **Encoding :** The encoding process involves selection of the right amount of information, the type of information and the organization of information that has to be sent to the receiver. The sender has to ensure that the right amount of information is communicated to the receiver. Too much information may confuse the receiver and vice-versa is also possible.

4. **The Medium :** The medium of transmission is the interface between the sender and the receiver. It acts as a carrier for information from the source to the final destination i.e. receiver. Thus the organization should choose the right medium on the basis of the type of the information that has to be communicated, the location of the receiver, frequency of the information etc.

5. **Decoding :** Decoding is the process in which the receiver analyze or interprets the information that has been sent by a sender. The decoding process is successful only when the receiver interprets the message as it was intended to be interpreted by the sender.

6. **Feedback :** This is a very important step in the communication process, as it helps in the continuation of the communication process. The feedback given by the receiver forms the basis' for further communication .The feedback also helps in analyzing the way in which the receiver interprets the information and thus help the sender take corrective action ,if desired.

13.4 Elements of Marketing Communication

Marketing communication is an element of the marketing mix and as such is probably the most visible. Being part of the marketing mix means that as a variable it should never by managed in isolation from the other elements. This means that in terms of planning the marketing communication plan should be aligned with and supportive of both the short-term and long-term objectives of the wider marketing plan. The marketing communication plan will contain a number steps. Marketing Communication comprises elements. Given below is a brief description of these elements:

Personal Selling :

Selling may be personal or impersonal. Personal selling is a highly distinctive word and the only form of direct sales promotion involving face to face relationship between seller and potential customers. Personal selling is flexible and extremely effective but costly form of sales promotion. Personal selling is a two-way communication or mutual communication.

According to American Marketing Association, 'Personal selling is an oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales.' According to Richard Bwhirk, 'Personal selling consists of contacting prospective buyers personally.' Personal selling is a direct, face to face, seller to buyer conversation which can communicate relevant facts about the product and the firm to the prospect so that he or she may take buying decision. Personal selling can use the psychology of persuasion most effectively so as to encourage a buying decision.

Difference Between Personal Selling and Salesmanship :

Most of us think that these two terms, i.e. personal sel1ig and salesmanship are synonymous to each other and are used without any distinction. There is vital difference between these two terms. Personal selling is a broader concept and involves oral presentation in conversation with one or more prospective buyers for making sales. The main purpose of personal selling is to bring the product and the company in the knowledge of the prospective buyers and to convince them about the quality of the product and make certain that ownership transfer will take place. It is an effective form of sales promotion. On the contrary, salesmanship is an at of selling goods or services to the prospective buyer or buyers. It is an attempt to induce the prospective buyer to buy goods. Personal skill of the salesman is used in salesmanship. Salesmanship may be employed both in personal selling and impersonal selling (such as advertising).

Importance of Personal Selling :

Personal selling is the most important ingredient in the promotion-mix. It renders valuable services to consumers, producers and the society. It is an effective form of sales promotion. Unlike advertising personal selling is present in all the three phases of buying, namely, pre-transactional, transactional, and post-transactional. It cultivates the matket, negotiates the transaction and reduces post- purchase dissonance. Personal selling in an effective medium of selling. It is the largest single cost accounting, say for 20% of net sales in several business enterprises. Besides this, there are other advantages of personal selling also. The main advantages are as follows:

(1) Personal selling is more flexible and adaptable to the varying purchasing situations. Under personal selling, it is possible for the salesman to adopt himself to the needs, motives, impulses and other behavioural traits of the prospective buyers so as to communicate the message and clinch the deal.

(2) In personal selling, there is minimum waste of effort and expenditure because the whole effort is focused on a qualified target, consumer/consumers. Also, there is minimum possibility of message distortion.

(3) Personal selling is two-way communication between the company and its customers. Top sales management can be fully informed about many vital matters, such as, customer's reaction, market trend, competition, dealer's demand etc.

(4) In personal selling, it is possible for the salesman to carry the qualified target consumer through a logical and persuasive reasoning process so as to consummate sale.

(5) In personal selling, it is possible for the salesman to detect loss of consumer's attention and interest and regenerate them by frequent repetitions and reinforcements.

(6) In personal selling, it is possible to develop durable relationship between salesman and the consumer which makes future sale exploration much more effective.

(7) Personal selling is a powerful means of convincing the prospective buyer by presenting actual demonstration of the product or its use. Salesman is in a position to remove every possible doubt of the prospective buyers and convince them about the quality of goods and transfer of title.

(8) Personal selling helps in increasing the volume of sales. It results in large-scale production and thereby reduction in cost and prices. In this way, the society may get better quality goods at a comparatively cheaper rate. Thus, "personal selling is as basic to our society as metabolism is to life."

The main objectives of personal selling :

Personal selling objectives may be of short-term and long-term duration. Short-term personal selling objectives are more specific and of short-term duration. These objectives change very frequently as soon as there is change in promotion-mix. Further, they are usually quantitative objectives. On the contrary, long-term personal selling objectives are broad and general. There is very little scope of change in long-term objectives. They are usually qualitative objectives.

According to Cundiff, Still and Govani, the personal selling objectives are as follows:

(1) To undertake selling job.

(2) To make search for new customers.

(3) To maintain regular communication with present customers.

(4) To assist the customers in selling the product line.

(5) To keep the customers informed about the changes in the product line and other aspects of marketing strategy.

(6) To maintain and secure effective cooperation with the customers in stocking and promoting the product line.

(7) To assist or handle the training of middlemen's sales - personnel.

(8) To obtain the desired market information.

(9) To provide necessary assistance to middlemen on various management problems.

(10) To provide technical assistance to customers where the products are complicated.

Besides the above, there are certain other personal selling objectives which may be summarised as under:

(11) To increase the overall volume of sales.

(12) To convince the customers about the quality of the product or products and creditability of the company.

(13) To remove the doubts from the mind of the customer.

(14) To keep the personal selling expenses within controllable limits.

(15) To secure and retain a certain share of the market.

Advertising : The word 'advertising' is derived from a Latin word "advertere" which means to turn attention towards a specific thing. The dictionary meaning of the word 'advertising' is to announce publicly or to give public notice. In other words, it may be interpreted as to turn the attention of the people concerned to a specific thing which has been announced by the advertiser publicly in order to inform and to influence them with the ideas which the advertisement carries. In this way, advertising is turning the attention of the people towards products, services, ideas by an identified sponsor. It is intended to influence the prospective customers in the market and increase sales. Advertising is thus the method or mode of carrying a message to the prospective customer to buy a particular product.

Although advertising has been variously defined by different authors, the basic theme has more or less remained the same. Some of the widely accepted definitions of advertising are as follows:

(1) According to Definitions Committee of the American Marketing Association, "Advertising is any paid form of non-personal presentation and promotion of ideas, goods and services by an Identified sponsor."

(2) According to William J. Stanton, "Advertising consists of all the activities involved in presenting to

a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea."

(3) According to Philip Kotler, "Advertising is non-personal form of communication conducted through paid media under clear sponsorship."

(4) According to Weeler, "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy."

From the above definitions we conclude that "advertising is personal presentation of ideas, goods or services by an identified sponsor for the purpose of inducing the prospects to buy them."

Characteristics: The main characteristics or elements of advertising are as follows:

(1) It is non-personal communication to specific audience or consumers.

(2) It is a paid form of communication by an identified sponsor.

(3) It may be visual, spoken or written.

(4) It disseminates information or products or services to the consumer.

(5) It presents the message about product availability in the market.

(6) It persuades people to buy a product by creating interest of the prospective buyers in the product.

(7) It is the promotion of ideas, goods and services.

(8) It supplements the voice and personality of individual salesman. It is a salesmanship in print.

(9) It is a general term used for any and all types of publicity.

(10) It is an essential form of communication through different media to inform the customer about the product and its features.

(11) It stimulates sales or patronage for the product.

(12) It helps in positioning the product in the market.

(13) It carries the message of the manufacturer or the seller to the target audience for which it is intended.

Development of Advertising :

The potentialities of advertising multiplied when the handpress was invented at the end of the 15th century. By Shakespeare's time, posters had made their appearance and there is evidence to prove that advertising had assumed the function of fostering demand for existing products. Another important development at this time was emergence of the pamphlet as an advertising medium. The early examples of example of these pamphlets disclose their sponsorship by companies intent on generating goodwill for their activities.

It was in the later half of the 19th century that with the advert of mass advertising, as we know it today, came into being. Mass production became a reality and channels of distribution had to be developed to cope with the physical movements of goods, creating a need for mass communication to inform the consumers of the choices available to them. In short, the speedy development of advertising was accelerated on account of the following factors :

(1) The industrial production led to mass production on account of use of machines and necessitated the need of advertising for selling the same.

(2) With the development of improved means of transport and communication the world was getting closer day-by-day leading to widening of the market from local to regional and national levels etc. Advertising gave the needed communication vehicle for contacting the consumers.

(3) Increasing literacy was also responsible for the development of advertising media.

(4) With the increase in literacy rate, the number of newspapers and magazines increased. They carried the message about new products to consumers.

(5) The advent and development of advertising agencies in the beginning of the 20th century gave inpetus to the rapid development of advertising.

(6) Finally, the advent of radio, television, telephone etc. added impetus to the development of advertising. And now one step more, the colour transmission has made advertising more attractive. This medium is second only to newspapers.

So far as India is concerned, advertising as a potent and recognised means of sales promotion was accepted only two decades ago. The delay is obviously attributable to late industrialisation in our country. But today India has emerged as an industrial nation which is quite evident from the nature of the advertisements that appear regularly in local, national as well as international newspapers and magazines.

Objectives of Advertising : The following are the main objectives of advertising

(1) Preparation of ground for sale of the new Product: When a new product is to be introduced in the market, advertising is necessary. The potential consumers can be Informed only by means of advertising. In this way advertising may be used for preparing a ground for the sale of a new product. The mass media like radio, television and cinema-halls are used for this purpose.

(2) Creation of demand: Another main objective of advertising is to create demand for a product or service. Advertising creates a favourable atmosphere for maintaining or improving sales. Customers are regularly reminded about the product, brand etc. The prospective customers may be induced to buy a product by informing them about the comparative quality, price and other attributes of that product. The object is to change the habit of the consumer, to shift from a rival product.

(3) Educate the consumers and the users: Another objective of the advertising is to educate the consumers and the users about the uses and utility of the product. Unless information reaches the consumers and the users cannot decide and make good choice.

(4) Building up brand image and brand loyalty: Another objective is to build up brand image. This objective can be achieved through constant. and repeated advertisements about the brand. For instance, today everybody knows about Bata’s Shoes, Philips Radios etc.

(5) Facing the competition: Another objective of the advertising is to face the existing competition The producer informs the consumer about the price, quality and availability of the product in relation to the competitiors.

(6) Informing about the changes to the Consumers and the Users : Another objective of advertisement is to inform the consumers and users about the changes in quality, packing, design, size, brand, price, weight packing etc.

(7) Forcing middlemen to deal in the product : The objective of advertising is also to force the middlemen to deal in a particular product or products only. It is possible when the consumers and the users approach the middlemen for purchasing a product through the influence of advertisements of that product.

(8) Neutralising competitor’s advertising: Another objective of advertising is to neutralise competitors’ advertising. It is essential to follow similar practices to neutralise their effects.

(9) Enhancing goodwill of the firm: The objective of advertising is also to enhance goodwill and reputation of the firm in the minds of middlemen, consumers and the users. In this context, constant and repeated advertisements are of great importance.

(10) Performing selling job: The object of advertising is also to perform selling function, e.g., in mail order business the selling function is performed by advertisement.

(11) Acquaint buyers with new uses: The objective of advertising is also to acquaint buyers and users with the new uses of a product.

(12) Assisting salesman's efforts: The objective of advertising is also to assist the salesman's efforts in increasing the sales of a product or products. Since the advertising educates the customers about the product, the function of the salesman remains simply to sell the product.

(13) Reduction in production and distribution Costs: The objective of advertising is also to assist a producer in reducing production and distribution costs. Advertisement helps in increasing sales and also in informing prospective customers about the product. This causes large-scale production resulting in overall reduction in cost of production and distribution.

(14) Maintenance of demand: The objective of advertising is not only to increase the demand but also to maintain the demand of existing product or products.

(15) Rationalizations for buying: The objective of advertising is also to provide rationalization for buying to the buyers so as to make right selection of the product needed by them.

According to Mathews, Buzzell and Frank, objectives of advertising are :

(i) To make an immediate sale,

(ii) To build primary market,

(iii) To introduce a price deal,

(iv) To inform about a product availability,

(v) To build brand recognition or brand-insistance,

(vi) To help salesman by building an awareness of a product among retailers,

(vii) To create a reputation for service, reliability or research strength,

(viii) To increase market share,

(ix) To modify existing product appeals and buying motives,

(x) To inform about the availability of new products or features or price,

(xi) To increase the frequency of use of a product,

(xii) To increase the number or quality of retail outlets,

(xiii) To build overall company image,

(xiv) To effect immediate buying action,

(xv) To reach new areas or new segments of population within existing areas, and

(xvi) To develop overseas markets.

Sales Promotion :

Sales promotion is another way of promoting of increasing sales. It includes all those activities which are used for increasing sales. It is a special type of promotional activity carried on in such a way as to attract consumers for buying. Sales promotion activities consist of displays, shows, expositions, demonstrations and other special efforts such as bonus, off-season discount, contests, coupons etc. that are intended to attract consumers and create more sales. Some important definitions of sales promotion are as follows :

(1) According to H. R. Delens, “Sales promotion means any steps that are taken for the purpose of obtaining or increasing sales. .Often this term refers specially to selling efforts that are designed to supplement personal selling and advertising and by coordination help them to become more effective.”

(2) According to the American Marketing Association, “Sales promotion refers to those marketing activities connected with the promotion of sales other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness such as displays, shows and expositions, demonstrations and various non-recurrent selling efforts not in the ordinary routine.”

(3) According to L. K. Johnson, “Sales promotion consists of all those activities whose purpose is to supplement, to coordinate and to make more effective the efforts of the sales force, of the advertising department, and of the distributors and dealers to increase sales and otherwise stimulate consumers to take greater initiative in buying.”

From the above study, we may conclude that sales promotion includes all those activities other than advertising and personal selling which are designed to increase sales.

Objectives of Sales Promotion :

Sales promotion activities are mainly intended to supplement personal selling, advertising and to increase the sale of the product. Sales promotion activities help the trader and the sales force to represent the product to the consumers effectively and induce them to buy. The main objectives of sales promotion are as follows:

(1) To attract customers.

(2) To stimulate the demand by popularising the products.

(3) To face competition effectively.

(4) To keep the memory of the product in the minds of the consumers.

(5) To supplement personal selling and advertising.

(6) To establish and maintain communication with large market segments.

(7) To induce middlemen-wholesalers and retailers to purchase goods in large quantity by offering more facilities such as credit facilities, higher trade and cash discounts, free gifts, bonus etc.

(8) To arrest seasonal demand in sa1e

(9) To assist salesmen in increasing sales, achieving, sales targets and salesmen’s activities to promote sales.

(10) To help in introducing new products in the market.

(11) To introduce such sales promotion methods as to adopt aggressive selling and thereby increase sales.

(12) To stimulate market research.

Methods of Sales Promotion:

Various methods of sales promotion arc being adopted by modern entrepreurs now a days. They may be grouped or classified under the following heads:

(i) Consumer Sales Promotion Methods.

(ii) Trade Sales Promotion Methods.

(iii) Sales Force Promotion Methods.

(i) Consumer Sales Promotion Methods:

These methods are directed at consumers to induce or persuade them to buy the company's product. Under this method consumers are given incentives directly by the company to buy a product.

Methods : Prominent consumer sales promotion methods or devices are as follows:

(1) Coupon: Coupon is a chit of a given value and mostly kept inside the package. Coupons are given directly to the consumer at the time of purchasing the product. It entitles the bearer (purchaser) to purchase a product at the reduced price. The buyer is required to surrender the coupon and get reduction of the slated value in the coupon. Thus the consumer gets the benefit of reduced price to the extent of the value of that coupon. Coupons attract the consumers to buy a product. Coupons also encourage retailers to stock the product. Coupons provide short-term stimulus to the sales of the product. Coupon offers are less expensive as compared with other consumer sales promotion methods.

(2) Samples: Samples are given free of cost to the potential customers at the time of introducing a new product in the market. Samples are given or distributed with a view to allowing the customer to test the quality of the product before purchasing the same. The samples may be distributed door to door, offered in a retail store, given to professionals (e.g doctor) for recommendation or may be sent by post. Samples are also given to prospective buyers when sales contracts are entered into with them. The seller guarantees that the goods will be delivered as per the sample given or shown to the prospective buyers.

(3) Premium: According to Gross and Houghton, "A premium is defined as an article of merchandise or other thing of value which is offered as an inducement to purchase a product or service." Premium is an item of merchandise that is offered at cost or relatively at low cost as bonus to purchase a particular product.

Premium is of four types :

Factory in-pack premium: This is a gift of low value article packed by the company in the box or package itself. It is very popular in case of baby food and tin food items. Spoons, cups etc. are generally packed with the product inside the package.

Reusable container: It is a container that has value to the consumer after the product is consumed, such as, a glass jar or a plastic container.

Free-in-the-mail premium: It is a gift which will be sent free of cost by the manufacturer to the buyer by mail after the purchaser sends the proof of purchase, such as a box-top or/and labels etc.

Self-liquidating premium: A self-liquidating premium is a method of sending an item by mail to the customers at a considerably low price. It is offered only to those customers who purchase goods from the company. This becomes possible because the company purchases these items in bulk at a low price. It is called self-liquidating premium because the company usually recovers the cost of the item from the buyer.

(4) Price-off : It is an offer to the consumer of a certain amount of money off the regular price of a product. In this case, the consumer is offered a price reduction over the printed or list price on purchases made during a fixed period. This is done to attract consumers of other brands to this brand or when a new product or brand enters the market.

(5) Money refund offer: This is an offer to the consumer that if he is not satisfied with the quality of the product, the manufacturer will return the purchase price within a Stated period. This offer is generally stated on the package itself in the media advertising.

(6) Competitions-contest calls: Competitions-contest calls are arranged with a view to attracting the customers, preferably new customers, to participate in the contest and win cash prizes trips or tours or goods. Generally the consumers may be asked to send along with entries for contest box-tops or certain flaps or even packages. The entry forms are available with the retailers free of cost. Contest calls are also made without any restrictions or enclosures to entries. The Contestants are asked to answer the puzzles or write a slogan on the product. It is an indirect method of introducing a new product in the market or stimulating the sales of an existing product. This method is quite popular these days.

(7) Trading or bonus stamps: A premium in the form of stamps is given by the seller along with purchases to the consumers. The number and value of stamps received by the consumer depends upon the. value of purchases made by the consumer. The consumer goes on collecting stamps unless he has sufficient quantity so as to obtain a desired merchandise in exchange for the stamps from the stamp redemption centres.

(8) Demonstration: This consumer sales promotion method is used for promoting the sales of a new brand or new product in the market The product is demonstrated in manufacturer's or seller's premises at fairs and exhibitions, religious festivals or even on door- to -door basis depending upon the size and value of the product. This method is popular mostly for the sales of household appliances such as detergent powders, small machines etc.

(9) Reduction sale: Under this method products are sold at reduced prices by the company. It is also called 'Clearance Sale' or 'Washing Sale'. This method is particularly employed when a large stock of products accumulates with the seller and then the offer is made to the consumers to purchase the same at concessional rates. For instance, this method is employed by Bata Shoe Company or Delhi Cloth Mills to clear up the old stocks at their stores (shops) on particular occasions such as on Diwali, Holi etc. In this case new as well as old customers are attracted to purchase the products at reduced prices

(ii) Trade Sales Promotion Methods:

Trade sales promotion is an incentive given to middlemen (wholesalers, retailers, stockiest etc) to buy goods in large quantity from the producer/manufacturer. The methods adopted for making bulk sales are called trade sales promotion methods. This incentive is to encourage or motivate the middlemen to store the company's product in large quantity.

Methods of Trade Sales Promotion: The main trade sales promotion methods or techniques are as follows:

(1) Buying allowance or discount: In this case the buying allowance or discount on purchases is offered to the dealers to induce them to purchase company's product during a stated period of time. This is to encourage buying in large quantities. It increases the sales of the manufacturer and profits of the dealer.

(2) Display and advertising allowance: In this method, dealers display company's product at their premises and for this they are given display and advertising allowance by the company. The display and advertising allowance is paid on the basis of the space provided to display the company's product at their premises.

(3) Buy-back allowance: In this method, the dealer is offered by the company an allowance of certain amount of money at the time of each purchase on the basis of purchase made on earlier trade deals. This extends the life of a trade deal and prevents a decline in post deal.

(4) Merchandise allowance: In this method, an agreement is entered between the dealer and the company to compensate the dealer for featuring the company's product in newspaper (preferably local newspaper), handbills, wall-writing etc.

(5) Store demonstration: In this method, demonstrations' are arranged in the premises of dealers (both wholesalers and retailers) by the company's sales force. This method is used particularly in case of a new product.. This demonstration is done to attract new customers in particular, to explain to them the peculiarities of the product and also to sense the doubts of the prospects on the spot. The dealers are paid by the company for store demonstration.

(6) Free advertising material: In this method, dealers are-provided free advertising material by the company, such as signboards, store signs, bill books etc. with the dealer's name. Other free goods include fountain-pens, pencils, diaries, calendars and their publicity materials with the dealer's name etc.

(7) Free goods: In this method, the company offers a certain quantity of the product free of cost to the dealers depending on their purchases of the same or some other product.

(8) Special sales contest: In this method, special sales contests are conducted by the sales force of the company at different places. This is to stimulate and motivate the 'dealers to increase sales'. The dealers participate in the same. Such sales contests may take the funs of window display, internal store display etc. Cash prices are offered to those who win the contest or make the highest sales during a stated period.

(9) Count and re-count allowance: In this method, an offer is made by the company to the wholesaler of a certain amount of money for the goods that move out of the wholesaler's godown during a stated period of time. The object of this incentive is to clear the old stock and achieve quick turnover.

(10) Free tours: In this method, dealers who achieve more than target sales during a given period or for a certain continuous period are offered free tours to hill stations or big cities. It includes railway/bus fare, hotel charges (boarding and lodging both) and other miscellaneous expenses incurred during a given period. Some companies also provide free foreign tours.

(11) Dealers conference: In this method, dealers' conferences are arranged by the company preferably at hill-stations or sight-seeing places. Only leading dealers are invited to attend these conferences. All the expenses of the dealers are paid by the company. Such conferences provide a platform to the company to educate the dealers about the nature of the product, policy of the company, mutual exchange of ideas and opinions and providing necessary information about their future incentive plans.

(iii) Sales force promotion methods:

Sales force promotion methods are those methods which are intended to motivate the sales force to increase sales. The sales force promotion methods support a salesman to perform his job more effectively and sincerely.

Methods : The main techniques or methods of sales force promotion are as follows:

(1) Sales force contests: In this method, special incentives in the form of prize or awards are offered over and above those provided under the regular compensation plans to sales force. The main object of organising sales force contests is to spur the sales force to increase sales and bring more profits to the company. According to Herzberg. 'Sales force contests aim at fulfilling the needs of individuals for achievement and recognition." The sales force contests are planned, organised and arranged by the company from time to time so as to motivate the sales force to increase sales.

(2) Bonus to sales force: In this method, a sales quota is fixed to each salesman to be achieved during a fixed stated period. In case the sales during a given period exceeds the quota, the salesman is allowed a bonus on the excessive sales only. This method also induces the salesman to increase sales to the maximum. This method is employed by leading companies such as Asian Paints.

(3) Sales meetings conventions, and conferences: In this method, sales meetings, conventions and conferences are organised by the company from time to time for the purpose of educating, inspiring and rewarding the salesmen. The new techniques of increasing sales are also discussed in such meetings and conferences.

Public Relations :

We have seen that both salesmanship and advertising help in creating in the prospect's mind a fvourable image of the company and its products. This image building has become particularly important in recent years. This movement of image building activities, whether done through salesmanship, advertising or otherwise, are termed as Public Relations activities. Public relations is a new term which got momentum in 1940 and eversince it is gaining popularity in the field of commerce and industry.

According to Mr. Edward Bareney, "Public relation is the attempt by information persuasion and adjustment to engineer public support for an activity, cause, movement or institution" Thus in short, public relation is a technique of getting public support for activity, cause or movement. The most widely accepted and popular definition of public relation has been given by the Institute of Public Relations in the following words:

"Public relations practice is the deliberate, planned and sustained effort to establish and maintain mutual understanding between the organisation and the general public." Thus in short, public relation is a duly planned effort to develop the mutual understanding between the organisation (business house) and the general public. General public is a wide term and thus includes customers, dealers, shareholders, suppliers, employees, government and the community at large. Experts have identified five significant targets for public relations efforts:

(i) Consumers,
(ii) Dealers,
(iii) Employees,
(iv) Share-holders, and
(v) Community.

Besides these, there may be other target groups with which the company (business house) might wish to communicate. The main object of public relations is to secure the goodwill of the public by behaving in a manner as to please those with whom the company (business house), through its representatives, comes in contact. It is an image building activity of the company in the mind of the general public. It is, therefore, increasingly recognised that not only a business house requires good products and efficient employees, but it also needs good public relations.

The Communication Functions of Public Relations :

The primary function of the public relations is to create a favourable image of the company and its products in the mind of the public by communicating the policies, practices, performances and achievements to the public. Public is very wide term which includes consumers, dealers, employees, share-holders, government and the community at large. Now we shall discuss how the public relations communicates with the various sections of the public.

(1) Communicating with Consumers :

The goodwill and image of the company and its products in the mind of the consumers is a dominant factor for the success of the business enterprise. A favourable image must be created both about the product of the company as well as the company itself in the mind of the consumers. Consumer relations activities include providing proper information regarding company's history, background, policies, objectives and nature as well as quality of products. The knowledge of consumer's mind about the company and its products can be studied through surveys, research and project etc. The consumers should be kept well informed from time to time about the availability and the quality of the products. Attempts should also be made to adjust the company's products, policies and practices to meet the consumer's preference, Every possible effort should be made to find out the consumer's need and then indicate how a suitable product will meet that need and provide satisfaction to the consumers. It should also be noted that the total personality or image of a company as well at its products not only lies in product's advertising, packaging and the appearance of the products but also in institutional advertising and public relation activities.

(2) Communicating with Dealers :

Since it is neither possible nor practicable for any company to contact each and every consumer directly for the sale of its products, the communication with dealers by the company is called for. It is true, particularly in case of large manufacturers, who totally depend on dealers to sell their products. The dealers represent the manufacturers to the public and to the community at large of which he is a part. Therefore, good dealer relationship becomes most important for them. Thus dealer's relations are a key note in any company's public relations programme mainly in India.

(3) Communicating with Employees :

Strikes, lockouts, gheraos are a clear cut indication of poor employer-employee relations. It affects the production and the progress adversely. It is mainly due to communication gap between the employer and the employees. No doubt that this is the area of personnel department, but the public relation can also play an important role in this connection. A good company always tries to build up loyalty amongst its employees and motivates them to higher productivity or better performance. The public relations department can assist the personnel department in its efforts to bring about improved working conditions, grievance procedures, promotional policies, employee's - training, career-planning, education, health and other welfare activities.

(4) Communicating with Share-holders :

A share-holder is a person who has invested money in the company. He, therefore, naturally expects a reasonable return on his investment, keeping in view the risk he is taking by investing his money in the company. Thus good company-shareholders relationship cannot be built up if the company is not fair to them in the declaration of proper dividends every year besides holding regular meetings etc. Besides the declaration and payment of dividends regularly, good companies also try in different ways to build up better company-shareholders relations. For instance, the attractive annual report, which is an important means of communication, creates good image of the company in the mind of the share -holders. Some companies (such as Reliance Industries) even send coupons to their share holders which entitle them to purchase the company's products at a special discount.

(5) Communicating with the Community :

Communication with the community is most essential for developing goodwill and favourable image of the company in the minds of the general public. It is, therefore, necessary for every company to realise its social responsibility towards the community at large. After all, the share-holders, consumers, dealers, employees or even the company itself is an integral part of the community. Effective communication with the community can be established through

(i) Providing donations to charitable institutions

(ii) Providing educational facilities by establishing schools and colleges and also providing scholarships to poor and brilliant students

(iii) Encouraging family planning programmes

(iv) Adoption of a code of fair trade practices

(v) Assisting in the removal poverty, backwardness and ignorance etc.

Publicity :

Publicity is a part of marketing and customer relations. Publicity is also non-personal communication about an organization or its products that is transmitted through a mass medium in the form of news but is not paid for by the organization. Publicity comes from news reporters, columnists and journalists. Publicity is a part of a larger set of communication activities called public relation, which is designed to create and maintain a favourable image of an organization and may be paid or non-paid. Public relation and publicity taken together are one of the four major ingredients of promotion-mix.

Difference between Advertising and Publicity

1. Advertising is informative as well as persuasive.	1. Publicity is informative but not persuasive.
2. Advertising is a paid form of communication.	2. Publicity is a non-paid mention of an organisation.
3. Advertisement Issued by an identified sponsor.	3. Publicity does not need an Identified sponsor.
4. Control over the type, size, duration and frequency of the message lies with advertiser.	4. Control lies with the publicity media.
5. Advertisements are generally repeated.	5. Publicity messages are generally not repeated.

Every firm tries to create a good public relations so as to get good publicity through press and electronic media. Publicity is mainly due to good response of customers, or due to quality or can be even due to some controversies.

Forms of Publicity :

The various forms of publicity used by an organization are new release which is a form of publicity that is usually a single page of typewritten copy about a news worthy event and is sent to news editors for possible publication. Feature article is a form of publicity that is upto three thousand words in length and is usually prepared for a specific publication. Captioned photograph is a photograph with a brief description explaining the people or event pictured. News conference is a meeting with media representatives to give major news events. Editorial film or tape is a tape or film distributed to broadcast station or newspapers in the hope that its contents will be used in news stories.

13.5 Direct Marketing

Direct marketing is a form of advertising that reaches its audience without using traditional formal channels of advertising such as TV, newspapers or radio. Businesses communicate straight to the consumer with advertising techniques such as fliers, catalogue distribution, promotional letters, and street advertising.

Direct Advertising is a sub-discipline and type of marketing. There are two main definitional characteristics which distinguish it from other types of marketing. The first is that it sends its message directly to consumers, without the use of intervening commercial communication media. The second characteristic is the core principle of successful advertising driving a specific "call to action." This aspect of direct marketing involves an emphasis on trackable, measurable, positive responses from consumers (known simply as "response" in the industry) regardless of medium.

If the advertisement asks the prospect to take a specific action, for instance call a free phone number or visit a web site, then the effort is considered to be direct response advertising. Direct marketing is predominantly used by small to medium-size enterprises with limited advertising budgets that do not have a well-recognized brand message. A well-executed direct advertising campaign can offer a positive return on investment as the message is not hidden with overcomplicated branding. Instead, direct advertising is straight to the point offers a product, service, or event; and explains how to get the offered product, service, or event.

13.5.1 Advantages and disadvantages

Direct marketing is attractive to many marketers, because in many cases its positive effect (but not negative results) can be measured directly. For example, if a marketer sends out 1,000 solicitations by mail, and 100 respond to the promotion, the marketer can say with confidence that campaign led directly to 10% direct responses. The number of recipients who are offended by junk mail/spam, however, is not easily measured. By contrast, measurement of other media must often be indirect, since there is no direct response from a consumer.

The Internet has made it easier for marketing managers to measure the results of a campaign. This is often achieved by using a specific web site landing page directly relating to the promotional material, a call to action will ask the consumer to visit the landing page, and the effectiveness of the campaign can be measured by taking the number of promotional messages distributed (e.g., 1,000) and dividing it by the number of responses (people visiting the unique web site page).Another way to measure the results is to compare the projected sales for a given term with the actual sales after a direct advertising campaign.

While many marketers recognize the financial benefits of increasing targeted awareness, some direct marketing efforts using particular media have been criticized for generating unwanted solicitations, not due to the method of communication but because of poorly compiled demographic databases, advertisers do not wish to waste money on communicating with consumers not interested in their products. For example, direct mail that is irrelevant to the recipient is considered "junk mail," and unwanted e-mail messages are considered "spam." Some consumers are demanding an end to direct marketing for privacy and environmental reasons, which direct marketers are able to do to some extent by using “opt-out” lists, variable printing, and more-targeted mailing lists. In response to consumer demand and increasing business pressure to increase the effectiveness of reaching the right consumer with direct marketing, companies such as Ireland Advertising specialize in targeted direct advertising to great effect, reducing advertising budget waste and increasing the effectiveness of delivering a marketing message with better geodemography information, delivering the advertising message to only the consumers interested in the product, service, or event on offer.

13.5.2 Tools of Direct Marketing :

- Direct Mail
- Telemarketing
- Email Marketing
- Door-to-Door Leaflet Marketing
- Broadcast faxing
- Voicemail Marketing
- Couponing
- Direct-response television marketing
- Direct selling

13.6 Factors Determining Communication Mix

There is no ideal promotion mix that may fit in all situations. It depends largely on intuition judgement. However, the marketing manager must take the following determinants into consideration at the time of formulating his promotion mix.

Nature of the Market :

Market characteristics influence the promotion mix relating to the product. A firm operating in a small or local market, more emphasis should be on personal selling. If the firm deals with the national or regional market then it has to depend upon advertisings and sale promotion promotional activities.

Nature of the Competitor :

Promotion mix more or less depends upon the competitive situations prevailing in the market. Most of the firms promote their products by using that promotional methods not employed by their competitors.

Nature of the Consumer :

Demographic, geographic and psychographic factors determine the promotional mix and appropriate for selling the product. The promition mix decision is significantly related with the age, sex, income, place of residence and behaviour of the consumers. A marketer may take the help of advertising, trade shows, publicity and catelogues for the potential customers who take lot of initiative in buying a product. Where customers take little or no initiative, the firm’s more emphasis on the personal selling to influence and persuade the customers.

Availability of Budget :

Promotion mix and promotion efficiency much more depends upon the size of the promotion budget. Personal selling is the most expensive method of promotion. Give discounts, free gifts, free samples also costs high. The cost of the advertising in newspaper and magazine depends upon its coverage. Firms with small promotional budget have to depend upon local newspapers outdoor ads, wall writings and less sophisticated methods. A marketing management must combine various methods of promotion in such a way so he may utilise the funds allocated most efficiently.

Push- Pull :

When deciding on the composition of promotion-mix, marketing managers must also decide whether to use a push policy or a pull policy. When promotion is directed at middlemen, it is known as push strategy and when it is directed at end-user, it is known as pull strategy.

13.7 Summery

This chapter considers the nature and role of marketing communications. It begins with a look at the marketing communication process and sets marketing communication in the marketing context. It then discusses various marketing communication objectives and investigates various methods of setting the budget. The role of the target-audience in a number of decisions are explored and finally the chapter looks at the future of marketing communication. Marketing communications is the most visible of any of the marketing mix variables. It is of vital importance that any communication activity is set in the context of the overall marketing strategy. It involves the setting of its own objectives and budget which should be soundly based on the target audience as should the marketing communication mix decisions. Marketing communication research should be used to establish the effectiveness of the communications strategy. All marketing communication practitioners should be ready to capitalize on any future developments in the field of communications.

Broadly speaking promotion means to push forward or to advance an idea in such a way so as to gain its acceptance and approval. It is an effort by a marketer to inform a persuade buyers to accept, resell, recommend or use the article, service or idea which is being promoted. Sales do not take place automatically without promotion, even though our product is superb, it can precisely fill the consumer wants and we have appropriate channels for distribution. In essence, promotion on the spark plug in our marketing mix. It is said that, "Nothing happens until somebody promotes something".

13.8 Key Words

- **Advertising: T**he paid, public, non-personal announcement of a persuasive message by an identified sponsor; the non-personal presentation or promotion by a firm of its products to its existing and potential customers.
- **Marketing Communications: T**he formal and informal messages that sellers transmit to buyers; the systematic (planned) as well as the unsystematic (unplanned) promotion by a firm of its products to its markets.
- **Personal Selling: A** form of promotion utilizing the services of a sales team; one of the major controllable variables (with advertising, sales promotion and publicity) of the promotion mix.
- **Press Conference: A** meeting to which media personnel are invited by a government body, organization or company seeking to make a public announcement, usually to gain favourable publicity or to offset some negative reaction.
- **Press Release: A**n announcement released to the news media by a government body, organization or firm, usually to obtain publicity or to offset some negative reaction to it or its products; also called a News Release.
- **Public Relations: T**he relationship which exists between an organization and its several publics;

efforts to influence this relationship by obtaining favourable publicity.

- **Direct Marketing:** Communications, often interactive, between an organization and its customers to effect a measurable response and to make a sale; the use of advertising and sales promotion via electronic media, catalogues, direct-mail advertisements, and other media for this purpose.

13.9 Self Assessment Question

1. Write a communications plan for the launch of a new breakfast cereal. You need to clearly identify who your target market is, and what brand image you which to create.
2. Select a marketing communication campaign of your choice. What are the objectives of the campaign, who is it aimed at, what methods have been used and how effective do you think it is. Present your findings to the rest of your group.
3. As a group, debate the issues for and against the advertising of such products as cigarettes or alcohol.
4. Define Promotion. What is meant by the concept of "the promotion blend?"
5. What is sales promotion? What is its role?
6. Explain how public relations could improve the effectiveness of marketing communications?
7. Explain a comment on: Salesmanship is persuasion.
8. What are the advantage of personal selling?
9. "Advertising is economically beneficial but not socially justifiable" comment.
10. Write a short note on Publicity & Public Relations.

13.10 Reference Books

- Marketing Communication: Principles and Practice by Richard J. Varey.
- Marketing Communications: A Vital Element of Achieving Change, in The Public Manager by Eva Neumann, Ray Sumser.
- Marketing Communications Interactivity, Communities and Content 5th Edition Chris Fill
- Marketing Communications A European Perspective 4th Edition Patrick De Pelsmacker, Maggie Geuens, Joeri Van Den Bergh

Unit- 14 : Marketing Strategies

Unit Structure

14.0 Objectives

After Studying this unit you should be able to understand:

- Concept of Marketing strategy
- The Significance of Marketing Strategy
- Formulating the Marketing Strategy
- All Marketing Strategies are either Price-Oriented or Differentiation-Oriented, or a blend of the two
- Marketing Strategy – Varied Approaches
- Conditions for Success of Marketing Strategy

14.1 Introduction

How are the marketing objectives going to be achieved? This is the burden of marketing strategy. In fact, marketing strategy formulation is the core of marketing planning. After all, it is the strategy that brings home the income and profits expected of the business. And it is strategy that renders one firm distinct from another and makes its offerings unique, compared to those of its competitors. The unit that follows explains elaborately the scope and significance of marketing strategy and the process of formulating it. When the business unit is through with the strategy formulation, it is ready with the game plan on what to do with each product/ brand in its fold and how to go about it.

Marketing Strategy and plan can be prepared in a few weeks or a couple of months, but its implementation takes place over years. Moreover, Strategy execution involves more people at various levels, across the organization. To facilitate execution, strategic plans must be translated into detailed functional plans and short-term operating plans whose fulfillment must be tracked using suitable metrics. In other words, it is the quality of the functional plans and the efficiency in monitoring its implementation, that finally decide the success of marketing plan/strategy.

14.2 The Significance of Marketing Strategy

- **Instrument for Value Delivery :**

  Marketing strategy represents the plan by which the firm delivers its value to the customers. It also specifies how the firm would be enabled/empowered to deliver that value. It is marketing strategy that specifies how the firm would go about its value selection, value creation, and value communication. In the sections that follows we are going to see that the firm's marketing mix is the carrier of value and it is the marketing strategy that assembles this mix. Marketing strategy thus works as the key in value delivery. It clarifies what benefit/value the consumer seeks, how much he can afford to pay for it, and how much of the value the firm could provide to him **(the value to him - cost to us** analysis). It also serves as the guide for the firm in creating, delivering, and communicating that value.

- **Helps Realsing Marketing Objectives:**

Marketing strategy enables the business units attain there marketing objectives. The objectives indicate what the firm wants to achieve; the strategy provides the design for achieving them. Put differently, the objectives tell where the firm wants to go and the strategy shows how it will reach there .Let us see an illustration to understand this idea better.

Exhibit 14.1 Dabur Foods - Marketing Objectives and Strategy

Marketing objectives

- To become a leading, integrated, player in Indian fruit processing industry.
- To make its fruit juice brands, *Real*, *Activ,* and *Coolers,* major contestants in their segments. Each one of these brands would become a Rs 75 crore brand by the year 2011.
- To achieve a total sales turnover of Rs 500 crore by 2011 as against the current position of Rs 110 crore (in 2005).

Marketing Strategy

- The company will launch several variants of these brands to cater to the specific needs of consumers *in* different regions.
- To enlarge the basket, altogether new fruit juice products will be launched from local fruits like guava, litchi and pomegranate.
- In addition to the fruit juice category, Dabur will play in the spices and vegetables categories. This will supplement the revenue from the fruit juice products.
- It will expand the reach by aggressively targeting corporates, call centres, hospitals, schools and religious institutions.
- Foreign markets will also be targeted and a Rs 100 crore business would be generated from exports by 2011, from Rs 15 crore in 2006. Exports will be to developed markets like Australia, Middle East, and Europe.
- The company will be putting in place necessary facilities on the production front to support the planned market initiatives. In achieving the growth, it will particularly rely on its expertise in procurement and processing.
- An investment of Rs 100 crore is set apart to implement the initiatives in production and marketing, for the next two years.
- Dabur will invest around Rs 40-50 crore in its Siliguri fruit-processing unit. Besides upgrading the Siliguri facility, it will also put up a packaging unit in West Bengal. In addition it will start a new fruit processing plant in south India so as to exploit distribution efficiencies.

- **Helps in Realising the Targeted Income and Profit:**

In particular, marketing strategy enables the unit realize its targeted sales income and profits pertaining to a brand/product. For example, if the marketing objective of the unit is to achieve a sales of Rs 1,000 crore and a net profit of 12 per cent on that sale, the marketing strategy would indicate how and wherefrom this sale and profit will come, which brand will accomplish what portion of this objective and how. Let us understand this dimension in detail through the example of Lifebuoy.

Suppose, in accordance with the corporate growth objective (fixed by HUL in FY 06), all the businesses of HUL together have to achieve in FY 2007 a sales income of Rs 12,700 crore (a 5 per cent increase over previous year) and a profit of Rs 1,270 crore (10 percent of the projected sale). The three SBUs of HUL - soaps & detergents, foods & beverages and personal care products - have to collectively deliver this income and profit to the company. According to the ongoing pattern, soaps and detergents account for 45 per cent of the corporate income and the balance is met by the other SBUs. HUL may opt to continue the same pattern and allot 45 per cent of the corporate turnover target to the soaps and detergents business. That means, the business has to achieve a sales income of Rs 5,715 crore for the year. The soaps and detergents SBU has three product lines: Bathing soaps, Washing soaps, Detergents (powder and cake). The SBU has to decide: How much contribution can be expected of each product line- from bathing soaps, washing soaps and detergents? The SBU has to extend the question to the brand level in each line and fix how much income has to come from a particular brand.

- **Specifies the Position**

A company needs to clarify the position it seeks in the industry. Does it want to be the market leader in the long term? Or, is it satisfied with a less aggressive profile? Strategy provides this clarification. The marketing programme to be developed will based on this posture. For example, when GE Capital entered the Indian consumer finance market in the early 1990s, its strategic intent was to become the leader in the consumer finance business. It proclaimed that the position it was seeking was that of No. 1. All its activities were woven around this intent. To secure a fast spread throughout the national market, GE Capital straightaway set up three consumer-finance JVs in collaboration with Godrej, HDFC and Maruti Udyog. The takeover of SRF Finance, which had 10 branch offices, a 136,000 strong depositor-base and a distinctive strength in the businesses proposed by GE Caps was another major move to ensure wide reach and deep penetration of the market. In short, GE Caps was putting in place a ready marketing organization to secure its objective of becoming the leader in the Indian consumer finance market.

Obviously, all firms in an industry cannot and do not seek the No. 1 position. Many are content with a follower's position while a few prefer to be niche players. Whatever be the case, marketing strategy will clearly specify the position that a unit seeks in the industry.

- **Specifies the Products to Offer:**

The strategy also clarifies what market segments the business unit will serve and what product offers it will make to the selected segments. In other words, it has to state its product-market scope. For example, when ICICI Bank commenced its activities, it decided to exclusively serve urban India. It sets up offices only in the major cities. Its target market consisted of corporates and high net worth individuals in cities. It also decided to offer several new banking products for the chosen clientele. It chose not to target the rural markets. When Motorola entered the emerging mobile phone market of India, its choice was to serve the upper-end consumer with high priced, feature packed models. Nokia on the other hand decided to serve varied segments ranging from entry-level users to middle, upper and lifestyle segments.

- **Specifies Firm's Competitors:**

The firm has to reckon who the major players in the industry are and against whom it will have to compete. It also has to decide which players it would choose to avoid competing with. Strategy specifies whom to confront and whom to exclude. For example, when the US car major, Ford, entered the Indian car market, Maruti was the dominant player here, with its Maruti 800 model holding a 70 per cent plus share. Ford decided to cultivate the higher B+ and C segment, with models like Ford Ikon. Ford was thus opting to compete with players like GM, who were competing in this segment with models like Opel Astra and Corsa. Ford chose not to compete with Maruti in the small/compact car segment. So, whom to compete with and whom to avoid is a vital issue in marketing strategy.

- **Specifies the Growth Path:**

The strategy also specifies the unit's path for achieving the growth envisaged: **market penetration, market development, or product development?** For example, when Maruti Udyog commenced its activities in the Indian passenger car market, in the initial stages it resorted to market penetration and in the later stages, it employed a combination of market penetration and product development strategies. The global IT software firm, Microsoft, always chooses the product development route as its growth path. It consistently brings out new software programs, each a significant improvement over the previous one and competes in the market.

- **Specifies the Differentiation of Strengths:**

The next issue is: On what distinctive capability/differentiation strength, will the business unit compete in its industry? On what unique strengths will it launch its products/brands and wage the marketplace battles? Kellogg, for example, entered the Indian breakfast cereal market heavily banking on the company's brand clout. Apple's iPhone relied on product (technology) superiority. Nirma acquired its place in the detergent market on the strength of an attractive price. Kingfisher Airlines based its fight on high-class service.

- **Specifies the Competitive Advantages:**

Marketing strategy specifies on what competitive advantage it will base its fight and how it will build that advantage. What competencies and facilities should it develop? For marketing its TVs, Videocon, a major player in the Indian TV market, relies heavily on its integrated manufacturing facilities. Videocon makes all components of its TV in-house, and uses this facility to offer a quality product at competitive prices. It has control over both cost and process quality. In other words, Videocon plays the marketing game with the competitive advantages arising out of integration.

- **Specifies the Resources:**

The business unit has to assess the resources available to it for putting the strategy into action and for developing the intended competencies. Resources available to the unit - money, people and facilities delimit the scope of the strategy that can be employed. Formulation of competitive/marketing strategy for a product/brand involves sorting out all such issues. In fact, the answers to them would constitute the strategy.

14.3 Formulating Marketing Strategy

Formulating STP Strategy

The marketing strategy for a given product/brand takes shape when these two steps are completed. As segmentation, targeting, and positioning form one homogeneous group of tasks in this process, they are grouped as one step and referred to by the acronym STP. Assembling the marketing mix/4Ps is the other step. STP and marketing mix together constitute the marketing strategy of the given product. Segmentation serves as the prelude to target market selection. It brings to the fore the various possibilities lying within a heterogeneous market. The target market that is arrived at through segmentation shows *to whom*, the unit intends to sell the product. Positioning and marketing mix together show *how* - using what uniqueness or distinction - the unit intends to sell it.

(a) Segmentation of the market

Segmentation of the market is the starting point of the whole exercise. The market for any product is a heterogeneous entity. In fact, it is stratified-based on several characteristics. Segmentation is a process by which you try to understand the heterogeneous market by viewing it from different angles and grasping the commonalities as well as differences contained therein, and then divide the whole market into segments, each homogeneous within itself, sharing certain common characteristics.

(b) Targeting (picking the appropriate segments)

From segmentation, we proceed to target market selection. The latter essentially means picking up of the appropriate market segments. The process of segmentation throws up not one but several market segments, with varying potential, profitability and risks. The firm may not be interested in all the segments. There may be segments that are sizeable and the ones that are not so sizeable. There may be segments assuring immediate profits and the ones that call for heavy investment in market development. There may also be segments that show great potential, but display tough barriers to entry. As such, the question - which segment/segments the firm should select as its target market - assumes crucial importance.

To say that target market selection is a part of marketing strategy formulation is just stating the obvious. One has to appreciate the total linkage between the two. With the selection of the target market, a major part of the marketing strategy of the product is determined, defined and expressed.

How Reliance Textiles chose its target market: To cite an example, when Reliance Textiles, subsequently a part of the Reliance Industries, entered the Indian textile market in 1967, it found that this market consisted of many distinct segments. And it was spread over entire rural and urban India. It was a Rs 5,000 crore market, with cotton textiles taking more than 70 per cent share and the rest taken up by silks and synthetics. Reliance was coming out with premium products - high quality synthetic fabrics - sarees, suitings, shirtings and dress materials. Reliance had to select its target market for this product. It spotted the well-to-do and fashion loving upper middle class of urban India as its target market. The decision came through a combined process of analytical exercise and executive judgement. Of the many distinct segments, the company deliberately chose the one that was most profitable and was also most suited to its offer.

What part of the market do we serve? What part we choose not to serve: In effect, target market selection boils down to deciding - what parts of the market are we going to serve? What parts of the market we choose not to serve? And, what is the logic of selecting a particular segment? In other words, it is basically a question of balancing the attractiveness of the various segments with the objectives and resources of the firm. Target market selection is, therefore, the first burden of marketing strategy formulation.

When the target market for the product is selected the right way, ('rightness' obviously gets proved only subsequently) half the job of marketing strategy formulation is over. The firm decides: This is the arena we will play in. So, target market selection becomes fundamental to marketing strategy formulation; in fact it becomes fundamental to the marketing game as a whole. Target market determines the broad contours of the marketing strategy. After all, the whole purpose of marketing strategy is only to serve the target market effectively and successfully. In fact, it is incorrect to treat target market selection and marketing strategy as two different entities. They are parts of a unified process.

(c) Positioning the offer

The next major dimension of marketing strategy relates to the positioning of the offer. The firm has already selected the target market and decided its basic offer. For example, it has selected the well-to-do fashion loving upper-middle class of urban India as its target market, and high-quality synthetic fabrics as its product offering. Now, what is the conjunction between these two entities? How do they get connected? What is the interface? In other words:

- What is the locus the firm seeks in the minds of the chosen customers/target market with its offering?
- How would the firm want the consumer to view and receive the offer? For example, does the firm want to lodge the intended product as the most distinctive offer in the market?
- Does it want to lodge it as the latest, with certain unique functional benefits?
- Is the firm seeking the leader position with its product offer? Or, is it occupying the challenger's role, with the promise that the customer can expect a performance that is one better than that of the present leader?

The point is that the firm has to clarify what it proposes to do with its offering, how it wants the offer to be perceived by the customer, what position it seeks in the minds of the customers and what image it proposes to build for its offer.

Assembling the Marketing Mix :

Once STP is decided on, assembling the marketing mix becomes the main task in marketing strategy formulation. In the execution of the strategy too, the marketing mix plays the lead role. It is by operating the marketing mix that a marketing man executes his marketing strategy. Assembling the marketing mix means making the best combination of the 4Ps. Best combination implies one that delivers the best possible value to the target market and in turn brings the best possible value back into the firm's kitty. Involved in this process is the choice of appropriate marketing activities and allocation of the appropriate portion of the marketing effort/ resources to each of them. The marketing man basically tries to know how he can generate the targeted sales and profit. He considers different marketing mixes with varying levels of expenditure assigned to each marketing activity and tries to figure out the effectiveness of the different combinations in terms of the possible sales and profits. He then chooses the combination/mix that is best according to his judgement.

Assembling the marketing mix involves decisions relating to each of the marketing mix elements, product, price, channel and promotion and the linkages among them. For example, one has to decide:

- Which product should be offered to an identified target market?
- What should be the price structure?
- Which channel has to be used?
- What is the right promotion strategy?
- How should the marketing effort/resources of the firm be apportioned among the 4 Ps?
- What is the best combination in the given situation?
- How to balance the impact of an increase or decrease in the allocation to a particular element on the other elements?

It is obvious that theoretically the marketing mix elements can be combined in an infinite number of ways. In practice too, marketing managers usually consider many different combinations and select the best. The marketing mix elements are substitutable by one another to some extent. Marketing managers can achieve superior result with a carefully selected mix. And, they can also achieve the same objective, using different marketing mix. They can take away some resources from one element and assign them to another and achieve superior result.

The name of the game is to select a combination, which will have the desired impact on the target market and will also be cost-effective. The marketing objective and context decide the weightage to be assigned to each element and sub-element. For example, within promotion, advertising may get a higher weightage if the objective is brand building, and sales promotion may get a higher weightage if the objective is quicker sales in the immediate run. The marketing manager works out different combinations of sales levels and marketing mix spending and chooses the optimum one.

The effectiveness of any marketing programme depends directly on the extent to which the marketing mix is able to harmonize and synthesize the different elements into a unified entity.

(a) Deciding the weightage for each P :

Earlier we saw that deciding the weightage to be assigned to each of the 4Ps is the crux of marketing mix formulation. There is no standard formula in this respect. One firm may assign maximum weightage to the product, and build up its technological superiority and functional benefits. It may opt for a better design or an improved formula and bring out a product with a significant specialty. It may provide only an average weightage to distribution and promotion. In other words, the firm puts in extra effort and investment on product and product superiority forms the mainstay of its marketing mix. Another firm in the same industry may assign a greater weightage to distribution, and yet another firm, to promotion.

Godrej Storwel gives higher weightage to product : In formulating the marketing mix for its steel cupboard, Storwel, Godrej gave maximum weightage to product. Using quality steel, more steel per sq inch, and a design that gave convenient inside-space, Godrej offered a superior product. Safe locking certainly was a product-strength, as Godrej had great expertise in locking systems. In distribution and promotion, it was almost on par witfi the other players in the industry. And, commensurate with the superiority of the product, Godrej also fixed a higher price for it. Godrej explained the proposition to the consumer like this:

You are paying just a little extra for

all these extras ...

extra strength

extra security

extra options

extra life...

Asian paints places higher emphasis on distribution : Asian Paints, in formulating the marketing mix for its paints, placed high emphasis on distribution. While other players in the industry were relying on the wholesale trade, Asian Paints bypassed the wholesale trade and went retail. Again, while the other players were concentrating on the urban markets, Asian Paints went national, serving the semi-urban and rural markets through its nationwide retail marketing set-up consisting of 14,000 retailers.

(b) The mix has to take its cue from the customers :

The marketing mix of a firm corresponds to its total product offering. And, this total product offering is supposed to provide the best value to the customer. So, it follows that marketing mix formulation has to take its cue totally from the customer. One has to carry out an in-depth customer analysis and give appropriate weightage to different elements based on what the customer considers as important.

(c) Marketing mix cannot be a static thing; it has to be juggled as required :

It is not as though a firm can rest once it has assembled and put through a marketing mix for a product. Assembling the marketing mix is not a one-shot assignment. No marketing manager can assume that his job is over once a marketing mix is put in place. The marketing mix is a dynamic entity. It is to be monitored closely and modified and manipulated, depending on requirements. Since the task of marketing is to meet the changes taking place in the market, marketing mix has got to be a flexible and dynamic entity. The marketing manager monitors the conditions in the market and keeps juggling the mix. There is no such thing as a for-ever-valid marketing mix. The optimum combination is no permanent thing. Whereas decisions relating to STP are more durable and are not tinkered with every now and then, mix decisions are modified as warranted by the environment. Within a certain framework, the elements are ingeniously juggled to accommodate the changes taking place in the relevant external environment and within the firm.

(d) Change in environmental variables warrants the mix to be juggled :

Constant flux in environmental variables is the main reason why the mix needs constant juggling. The marketing man has to respond properly to the changes. Competitors will naturally be making their tactical manoeuvres in the market all the time. They will introduce a new product, or initiate an aggressive promotion campaign, or announce a price reduction. The competing marketing manager has to meet all these manoeuvres and take care of the competitive position of his firm/brand in the market. The only way he can achieve this is by juggling his own marketing mix. Similar is the case with other major environmental variables like economic conditions and government policies. All of them keep changing and the marketing man has to keep adjusting the marketing mix accordingly.

(e) In particular, change in customer preference warrants the juggling :

In many businesses, customer is the most fluctuating environmental variable. Customer tastes and preferences change very fast. Brand loyalty shifts equally fast; customers' purchasing power too changes over time. The marketing manager is vitally concerned with these changes. He has to gather timely insights about these changes and respond to them through appropriate modification of his marketing mix.

(f) Change in PLC stage too demands change in the mix :

The growth of a product/ brand over different stages of its growth cycle (Product Life Cycle) is another criterion influencing change in its marketing mix. As a product evolves from its launch period towards different stages of growth, maturity and decline, it will demand different treatments from the point of view of pricing, distribution, promotion and even product attributes. In fact, not only the 4P-combination but, even the target market and positioning - i.e. the entire marketing strategy - will change through this life cycle.

(g) Changes within the firm too necessitate modifications in the mix :

Changes taking place within the firm too, necessitate modifications in the marketing mix. Changes in the corporate/competitive strategy of the firm, changes in its product lines, organization structure, resource level, will all necessitate changes in the marketing mix for a given product/brand.

(h) Freezing the marketing mix would mean marketing inertia :

The very fact that the elements of marketing mix (4P) are a set of adjustable values between the firm and the consumer makes it clear that the marketing mix cannot be a static thing and that it has to be juggled as required. A set of adjustable values cannot obviously be frozen. It has to be left flexible. It is marketing inertia on the part of the marketing man that freezes those values in positions found appropriate in the past. And that, is a sure recipe for disaster. In today's conditions in particular, flexibility with the elements of the marketing mix is inescapable. In fact, today, the marketing men are required to make pre-emptive and not just reactive changes in their marketing mix.

(i) The marketing mix has to be separately worked out for each brand

A multi-product firm has to develop a marketing mix for each of its products. In fact, the mix has to be worked out for every brand because the market fight is finally at the brand level. And it is the marketing mix that decides how much leeway and resources the brand has at its disposal in this fight. For example, Lifebuoy and Lux, two brands of HUL in bath soaps, operate with vastly differing marketing mix. This is natural because they are addressed to two vastly differing target markets. Lifebuoy is the anti-germ, health-highlighting popular soap, mainly targeted at the rural buyer, whereas Lux is the beauty soap targeted at the complexion conscious city woman. Lifebuoy is low priced, (Rs 10 per 100 gm pack), having just protective packing, and no frills, and promoted through outdoor, vernacular print and regional TV. Lux is high priced (Rs 15 per 75 gm), product with fine finish, silky, creamy lather, fine fragrance, double protection packing and promoted through urban-oriented magazines and TV channels.

(j) Marketing mix is the visible part of marketing strategy

An interesting fact about the marketing mix is that it is the visible part of the marketing strategy of a firm. After all, no firm notifies its marketing strategy in black and white, to the outside world. But the outside world does have the means of deciphering the marketing strategy of a firm. The strategy manifests through marketing mix of the firm, i.e. through what the firm does with its product, promotion, price and channel. The outside world, whether it is the customer, or the competition, or the trade, acquires an idea of the marketing strategy of a firm, once the latter finalizes its marketing mix and puts it in the market in the form of a marketing programme. In other words, the marketing mix of a firm is actually the marketplace manifestation of its marketing strategy. The understanding that the marketing mix is the visible representation of the marketing strategy of a firm will come handy in formulating one's own competitive/marketing strategy. Because, the strategies of the competitors can be discerned through their marketing mix, and then, one's own strategy can be appropriately formulated.

(k) Both quantitative analysis and judgement have a role in finalizing marketing mix :

Assembling the marketing mix requires knowledge of the effect of each mix element on sales, and the interrelationship of the various elements. There is a need to predict the final outcome of the different options. In this exercise, marketing managers employ quantitative techniques/field experiments as well as their judgement. Both have their due roles in deciding an optimal mix.

(l) The interaction between marketing mix variables and environment variables :

They include consumer, competition, trade and the mega environment. At this juncture, it would be appropriate to highlight that the two sets of variables together complete the marketing process. The marketing man encounters the environmental variables with his marketing mix variables.

(m) The controllable and the non-controllable variables of marketing :

While a marketing man can choose, alter and control the marketing mix variables, he cannot choose or alter or dictate to the environmental variables.

The marketing man intelligently selects and adjusts the marketing mix variables, and brings them in alignment with the environmental variables. In fact, the crux of marketing lies in choosing and configuring the marketing mix variables in alignment with the environmental variables. And by using the marketing mix variables the marketing man harnesses the opportunities in the environment. So, marketing can be viewed as the interaction between marketing mix variables and environmental variables. The two sets of variables are the two parts of the marketing process.

(n) Linkage between marketing mix, marketing effort and marketing budget :

Marketing mix, in effect, signifies the manner in which the marketing effort or marketing budget of the firm is distributed over the different components of the marketing job. The marketing effort required for achieving the targeted sales, translates itself into the marketing expense budget; and the distribution of this budget over the four Ps, indicates the marketing mix position. When the marketing manager has completed assembling the marketing mix, it means that he has, on his hands the marketing budget. He has decided the marketing effort/marketing expenditure; he has also decided how it should be allocated over four Ps. When he expresses the marketing mix in rupee terms, it becomes the marketing budget.

(o) Assembling and managing the marketing mix is the main task in marketing :

Assembling and executing the marketing mix accounts for the bulk of the marketing task. It is by assembling and operating its marketing mix that a firm executes its marketing strategy. And all the decisions on marketing mix form an integral part of the marketing strategy. The marketing mix is both a creation of the marketing strategy, and the instrument with which the marketing strategy is executed. Effectiveness of a marketing programme depends on the extent to which the marketing mix elements are harmonized and synthesized into a unified entity. It is to be particularly noted that the 4Ps are no independent silos but constitute one unified, logically related, value-creation set.

(p) 'STP plus marketing-mix' sums up marketing strategy :

'STP plus marketing-mix', or 'STP plus 4Ps' constitutes an easy-to-grasp description of marketing strategy. No other clue than these two steps is required to understand it. STP is the preparatory part of strategy formulation and the strategy takes shape when the marketing mix/4P is constructed upon the STP. In fact, the entire marketing can be explained in terms of STP and marketing mix. If you decide the STP and the mix and implement the mix - you have completed marketing. It then follows that it should be possible to state, in precise terms, the marketing strategy of any firm in terms of STP and marketing mix. Exhibit 14.3gives an illustrative marketing statement based on the target market, positioning and marketing Mix.

(q) Firms do change their marketing strategy when required :

Marketing strategy for a product/brand is not a permanent fixture. It has to undergo appropriate changes to meet the shifts in consumer behavior, competition and market evolution. The competitive posture a company takes in the first instance and the extent of realization/non-realization of that objective too is a factor in deciding whether a change has to be made or not.

Another factor influencing change in strategy for a product/brand is the change in its life cycle stage. As the market for a given product evolves, grows, and declines, the strategies have to necessarily change. Product life cycle and market evolution are concurrent phenomena demanding monitoring by the marketer.

The strategies aimed at a novice buyer in a newly unfolding market, and the strategies needed when he becomes an experienced user of the product in an arrived market, fully backed by his **learning curve** have to be different.

14.4 Marketing Strategies Varied Approaches

Porter's threefold categorization

Michael Porter speaks of three broad generic strategies in relation to competitive strategy - **cost**

leadership, differentiation, and **focus.** We take the view that ultimately there are just two categories of strategies **-cost leadership,** and **differentiation** - because the third one propounded by Porter viz., **focus** does not represent a distinct category, but just a variant of either cost or differentiation. Even Porter appreciates and grants this fact. According to him, the focus strategy has two variants - **cost focus** and **differentiation focus. In cost focus** a firm seeks a cost advantage in its target segment, while in **differentiation focus** a firm seeks differentiation in its target segment. Focus rests on the scope of a narrow competitive choice within an industry. The focuser selects a segment in the industry and tailors his strategy to serve it to the exclusion of the others.It is therefore appropriate to vote for a twofold categorization.

A. Price-oriented marketing strategy :

Firms taking to the price route in marketing strategy compete on the strength of competitive/lower pricing. They use price as their competitive lever. They juggle the price of their product to suit the prevailing competitive reality. They can afford to offer lower prices and still make the targeted profits, in view of their cost advantage. They elbow out competition with the cushion they enjoy in the matter of pricing.

A firm opting for the price route will have to have a substantial cost advantage in their operations, vis-a-vis the competition. It should be enjoying an overall cost leadership in the given industry and its lower cost should enable it to secure above average returns in spite of the compulsion to lower prices to meet the competition. In the absence of such cost advantage, it cannot offer a lower price compared to competition over the long term. The cost advantage can emanate from different factors like, scale economies, early entry, a large market share built over a period of time, locational advantage, or synergy among the different businesses. The firm's whole strategy, in fact, will revolve around building such cost advantage; it will always be looking for opportunities for cost reduction. For example, it may drop unprofitable customers/ segments, it may minimise its expenditure on R&D, it may practice just-in-time inventory. And, with the cumulative support of such strategies, it will fight on the cost/price front. In short, developing such a cost leadership is the main task of firms that vote for a price-led strategy.

In cost leadership, a firm sets out to become the low-cost producer in its industry. The sources of cost advantage include the pursuit of economies of scale, proprietary technology, preferential access to raw materials, and other factors. A cost leader must achieve parity or proximity in the bases of differentiation relative to its competitors to be an above-average performer, even though it relies on cost leadership for its competitive advantage. Parity in the bases of differentiation allows a cost leader to translate its cost advantage directly into higher profits than competitors. Proximity in differentiation means that the price discount necessary to achieve an acceptable market share does not offset a cost leader's cost advantage and hence the cost leader earns above-average returns. The strategic logic of cost leadership usually requires that a firm be the cost leader, not one of several firms vying for this position.

To successfully practice such a price-led strategy, a firm should have consciously taken to the idea sufficiently early in its evolutionary process and prepared itself for adopting such a strategy. The firm cannot opt for the strategy midway, after getting stuck in the face of competition. Right from the beginning, it must have voted for cost-effective technologies/processes, scale economies, cost reduction programmes, a steady pursuit of automation, a constant vigil to exploit learning curve effects, best inventory practices, and a company-wide commitment to cost reduction. Without obtaining a cost leadership in the industry through resorting to such steps early on, it is difficult for a firm to compete on the basis of price.

Nirma : Case study of Nirma Chemicals provides a fine example for a price-led marketing strategy. Nirma entered the detergent market of India at a time when HUL, with its Surf, had established a near monopoly in the business. And, Nirma succeeded through its price-led strategy. HUL marketed Surf, taking to the differentiation route; the differentiation theme was 'Surf washes whitest.' Nirma had built cost leadership right from the beginning. And, it was this cost leadership built early on that enabled Nirma to follow the price-based marketing strategy. Taking advantage of the concessions as an SSI unit and choosing the price conscious segment as its market, Nirma Chemicals offered a low price brand and promoted it aggressively. While Surf was sold at a price of over Rs 32 per kg. Nirma priced its detergent at Rs 10.50 per kg. It relied on low cost technology, process and raw materials. In just about 10 years, Nirma became a Rs 1,000 crore business.

Nirma's strategy led to a churning process in the detergent industry. Market shares changed drastically. Nirma kept growing both in volume and marketshare. HUL defended Surf. It stepped up promotion and boosted its differentiation theme further. But, all this did not arrest the growth of Nirma. Finally, HUL was forced to adopt the strategy. 'If you can't beat them join them'. It started playing in the segment, which Nirma had chosen, with Nirma-like strategy. It introduced Wheel, a low priced brand and positioned it directly against Nirma in the same segment. Wheel was priced at Rs 11 per kg. The point is that Nirma's price-led strategy was so successful that even the market leader, who was all along following the differentiation-led route, was forced to review its strategy.

Case Study of Maruti 800 : Maruti's strategy for its 800 car is another example of a successful price-led marketing strategy. Here, for about a decade, the price-led strategy was actually used more as an entry barrier to other aspiring players than as a competitive strategy for competing with existing players. Subsequently, it was used as an entry barrier as well as a competitive strategy for competing with existing players. At a time when passenger car was a luxury item in India, Maruti Suzuki entered with its small car and made it affordable for the fast growing middle class of the country. On the strength of an affordable price, easy availability, and high fuel efficiency, Maruti soon cornered more than 70 per cent share of the expanded passenger car market of the country. And simultaneously, it became a household name in the country.

Like Nirma, Maruti too, enjoyed substantial cost advantage to wage and win such a price-based strategy. First of all, Maruti had considerable **size advantage.** Its large production capacity - 2,25,000 to start with - gave it a relatively low unit cost and conferred on it an enviable pricing cushion. Maruti also had cost advantage independent of size. Low initial investment was one source of such cost advantage. Investment costs steeply went up in subsequent years. Unique concessions from the government were another source of cost advantage. As the early bird, and as a public sector firm, Maruti received several concessions from the government, which were not available to later day players. Moreover, Maruti's first set of plants was fully depreciated by 1998. Maruti also indigenized its manufacturing rapidly and achieved cost competitiveness. Consistent capacity expansions completed on schedule, further supported the pricing freedom. New players have found it difficult to compete against Maruti (in the entry level segment), with its large production capacity, depreciated low cost plant and highly indigenized sourcing of components.

B. Differentiation-Oriented Marketing Strategy :

The differentiation strategy revolves around aspects other than price. It works on the principle that a firm can make its offer distinctive from all competing offers and win through the distinctiveness. And, a firm adopting such route can price its product on the perceived value of the attributes of the offer and not necessarily on competition-parity basis.

The interesting point is that an offer can be differentiated on any of the multitude of attributes that form part of the offer. Any of the ever so many activities performed by the firm, tangible and intangible can also constitute the source of differentiation. The product with its innumerable features, the service and the other functions performed by the firm are all possible sources of differentiation.

The potential of the differentiation-led strategy is vividly explained by Theodore Levitt in his article in Harvard Business Review 'Marketing Success, Through Differentiation of Anything'. In this article, Levitt elaborates that there is practically no such thing as a commodity. All goods and services are differentiable. In the marketplace, differentiation is everywhere. Everybody - the producer, fabricator, seller, broker, the agent and the merchant - tries constantly to distinguish his offer from that of his competitors. This is true even of those who produce and deal in primary metals, grains, chemicals, plastics and money. Through an array of examples, Levitt explains how, from the simplest of commodities to the most complicated of products, differentiation can be put to use.

In the marketplace today, companies do try to 'achieve marketing success through differentiation of anything'. They not only differentiate on the unique features of their product, but even on plain facts like the collaboration with a valuable partner, or the location of the plant, as differentiation themes. They use any fact/theme that gives them a relative advantage.

Examples of differentiation route :

IBM uses its service strength and technology strength as its differentiation themes.

Garden Silks uses its strength in design as the differentiation plank.

Eureka Forbes has successfully used home selling as its distinctiveness.

Citibank differentiates on its personalized service. It claims that it employs only professionally qualified people and the person who answers a customer's phone call will be competent to solve all the problems raised by the customer.

Caterpillar Tractor uses its service strength/global dealer network as the differentiation plank.

Rolls Royce highlights its engineering quality as its major strength.

The differentiation route is a more dynamic and powerful route to competitive strategy. Most business battles are fought on the strength of differentiation rather than that of price. The major attraction of the differentiation-based strategy is that it allows a firm to move away from the disadvantage of a wholly price-based fight and allows it the flexibility of fighting on the non-price front, on the strength of the uniqueness and specialty of its offer. The differentiation route is thus a crucial option for a firm in its search for a rewarding competitive strategy.

In a differentiation-oriented strategy, a firm seeks to be unique along some dimensions that are valued by the buyers. It selects one or more attributes that buyers perceive as important, and positions itself uniquely to meet those attributes. It gets the due reward for its uniqueness through an appropriate, premium price. By and large, a firm following a differentiation strategy will be an above average performer in its industry. One basic requirement is that it should keep the cost of the differentiation below the premium price it can command from the differentiation. The differentiation-oriented strategy requires the firm to choose the attributes of differentiation very carefully. A firm must be truly unique at something or be perceived so, if it is to expect a premium price. It also has to see that the price premium is justified by the value generated by its differentiation. In contrast to price-oriented strategy where everything works around the price, in the case of differentiation-oriented one, there will be many different possibilities.

Differentiation does not imply that any cost level is okay. A differentiator cannot ignore his cost position. No firm can afford to have an unjustified cost position and jack up its price to cover that. A differentiator thus aims at cost parity or proximity relative to its competitors, by reducing cost in all areas that do not affect the differentiation.

Different possibilities within Differentiation-oriented strategy

Since differentiation can be shaped around a large variety of factors, there can be many different types of differentiation-oriented strategies. They can be grouped under three broad categories, as shown below:

It can be seen that the three categories relate to the three Ps of the 4P framework of the marketing mix, the fourth, Price, servicing as a separate route for strategy. It is by drawing from all the 4P's that any marketing strategy is shaped. Depending on the context in which they are placed, firms rely relatively more on one particular element. So, when we talk of strategies with emphasis on, say, **Product,** it does not imply that only the Product matters in this strategy. It cannot be so. All the four Ps are judiciously utilized in forging the strategy. But the product is more heavily leaned on by the firm. In other words here, the **Product** is the centerpiece of the strategy, the other 3Ps playing their assigned supportive roles. Same is the case with **Place, Promotion** and **Price.** One element may get prominence over the other in the marketing strategy; but no element gets ignored.

(i) Differentiation with emphasis on product :

Product covers attributes such as its functionality, packing convenience etc. It also covers service and experience delivered by the offer.

Differentiating with emphasis on experience

Since value is the crux in marketing, anything that is of value to the customer can be used as a base for differentiating an offer. So, where experience forms a significant part of offer, firms do try to differentiate their offer by differentiating the experience.

Experience brands In fact, where experience forms a significant part of the offer and the firms differentiate it on the experience, the brands concerned become experiential brands. To quote Alice M. Tybout and Gregory S. Carpenter, 'Experiential brands focus on how consumers feel when interacting with the brand. Products, environments and services are combined to create multisensory encounters with the brand. These encounters may be recurring or may involve extended contact with the customer. Consequently, the "place" and "people" components of service delivery are particularly important in creating strong experiential brands. One hallmark of any great experience brand really, is consistency. Delivering a consistently good experience is a challenge."

The new generation coffee cafes The new generation coffee cafes in our cities is a good example of 'differentiating on experience'. These cafes are essentially experiential brands. They rely on creating a unique, engaging experience - a memorable experience - that extends well beyond the actual sipping of the coffee at the cafe. They differentiate themselves as a class, from the general category hotels/coffee shops/ restaurants. They also differentiate among themselves. In both cases, they differentiate on 'experience'.

(ii) Differentiation-oriented strategies with emphasis on distribution :

Reaching India's village markets has always remained a problem for business firms. The best they could do was to set up a three-tier distribution system and reach some village shops for storing and selling their products. Most of the companies stop with the towns. One of the maximum penetrating retail network in rural India belongs to HUL. But even this is found inadequate to reach the interior markets. It is in this context, we have to see the e-Choupal, the new retail channel being built by ITC. ITC markets a number of products like *agarbattis,* salt, matchbox, seeds, *atta,* notebooks, cigarettes etc in remote villages. But ITC found the existing channel penetration grossly insufficient to unblock the demands lying in rural India.

(iii) Differentiation-oriented strategy with emphasis on promotion :

There are many companies/brands who wage their differentiation-oriented strategy relying largely on the power of **Promotion.** It is not that they are devoid of product strength, distribution reach, and pricing options. They resort more to promotion and rely more on appeals with psychological/emotional/prestige/ status orientation than the rational, tangible, and benefit oriented ones.

Selling more of image/status than a product These companies/brands build around their offerings a halo/image, and sell them through persuasive marketing communications, especially advertising. Quite often, they sell the offer and build the brand by using celebrities in the respective fields and portraying an intimate bond between them and the product. They deliver the theme through message/media appealing to the target, and repeating the campaigns for the best reach and impact.

Many of the global brands we see today, especially those in categories like personal care, cosmetics, food and drinks and personal wear have been built through sustained, high power, promotional effort over years. Brands like Dove, Lux, Eau de Cologne, Nike, Coca-Cola, Pepsi and De Beers are some examples. They have not been built through the product-functionality appeal but on the *image* appeal. The customer is invited to become part of this image.

Showcasing the user The equation between the brand and the endorser or the unique setting with which the brand is associated, is the selling point here. The consumer enjoys being a part of this setting. Through the brand, he is also projecting a new image of himself; the brand becomes a style statement for him.

Suits image brands more As a general rule, differentiation strategy with emphasis on promotion, works well with image brands. To quote Tybout and Carpenter, 'Image brands create value, principally by projecting an image. The value of these brands stem, in large measure, from a shared interpretation of what using the brand represents rather than the product features'. Since image is the basis for differentiation here, and social and esteem needs are addressed more, promotion/communication works out as an apt route.

Promotion contributes to brand equity over time Well-conceived promotion strategies, executed appropriately and in a sustained manner go a long way in adding to a brand's equity. Here, suffice to emphasize that promotion has an important role in investing brands with great value. Exhibit 15.4 presents a few examples of companies/ brands using promotion as the main of their differentiation-oriented strategy.

Example :

Reid & Taylor : In the same product category of suitings, Reid & Taylor uses the same approach for differentiation, with even more telling effect. Here 'James Bond[1] is the prestigious endorser. The ad message links the prestige of Bond and the brand: Reid & Taylor... the legend of a cloth ... James Bond ... the legend of a man Luxury Suitings .. . Bond with the best. The suiting is a *legend* like the endorser, not a piece of cloth!

Ray Ban :

Ray Ban sunglasses does not build a differentiation on the functional characteristics/special properties of the glass it uses. Instead it projects aesthetics, and claims, 'Ray Ban ... for exhilaration!' It is the lifestyle that is played up. Ray Ban is promoted through high outlay ad campaigns.

Nike :

In the case of Nike, the marketing is built almost wholly around the brand name and promotion. By consistently using sport stars from the initial years till date - from Michael Jordan and John McEnroe in the 1970's and Roger Federrer today - Nike has been projecting the image of a winner and high performer. Nike and success go together; that is the equation between the brand and whoever uses it. You are made to feel that by wearing Nike, you are in the league of those very special sports personalities whom you admire. In addition to its regular high budget ad campaigns, Nike puts it's logo, the swoosh, on every possible medium/vehicle - MP3 players, watches, walkie-talkies, and even portable heart monitors.

(iv) Price-oriented strategy :

A firm opting for the price route should be enjoying an overall cost leadership in the given industry. Its lower cost vis-a-vis the competition should enable it to secure above average returns, even when it lowers its prices as required to meet the competition. It is obvious that in the absence of such cost advantage, it cannot keep offering a lower price over the long term.

Maruti's strategy for its 800 car is an apt example of a successful price-led marketing strategy. Its cost leadership in the industry and in the given segment in particular, was its anchor in playing such a strategy. Even in industries that are not so capital intensive, cost advantage is a basic requirement for firms playing such a strategy. More importantly, for these firms it is essential to get the customer value equation right. It is by picking the right target market and the optimum price point, that these firms win. Recent experiences from Indian markets show that if firms want large volume, they have to offer affordably priced, adequately performing products. Whenever such offerings happen - televisions, and cell phones are apt examples - the market has always embraced them in a big way. The smart marketers who had got their customer value equation right, and had the competence for cost cum quality management, had been the winners. It enabled them to make a handsome profit despite their extending affordable prices to the consumers.

Example of Maruti-Suzuki :

Relying on the price route, Maruti achieved a phenomenal success in the small car segment of the passenger car industry of India. Of course, there were other elements besides competitive price, playing their parts in the strategy. But the trump was the difficult-to-match price.

Maruti created all the necessary settings for successfully playing a price-oriented strategy. Its early entry, large production capacity, relatively low initial investment, depreciated low cost plants by the time the others entered, and high level of indigenization in sourcing of components, all supported such a strategy. In the chosen segment, Maruti did face all the challenges a leader usually faces in retaining his leadership. There were the aggressive No. 2s trying to take over the No. 1 slot. But Maruti, with its cost leadership, held on and did not have to yield the No. 1 slot to anyone else. It is relatively easy for a firm to achieve the No. 1 spot, but not that easy to stay there.

14.5 Conditions for Success of Marketing Strategy

- **Correct Sizing up of the Competitive Forces**

Sizing up competition/the forces that shape competition in the industry, is a component task of marketing strategy formulation. Sizing up the competitive forces in the industry is fundamental to strategy formulation. Because, in competitive strategy, the basic requirement for a firm is to find a position in the industry wherefrom it can defend itself against competitive forces, and, wherever possible, influence these forces in its favor.

- **Strategy and forces of competition impact mutually; strategy reflects as well as shapes forces of competition**

Strategy is a response to and a reflector of the forces of competition in the industry. Interestingly, strategy also shapes the competitive forces in an industry. The main aim of strategy is actually to cope with the forces of competition.

- **Possession of Relevant Competitive Advantages**

For marketing strategy to work - whatever might be the strategy - the firm must posses relevant competitive advantages and it must weave the strategy around them. Any strategy becomes worthwhile only when it is executed and yields the intended results. And, to execute strategies, the firm should have the relevant capabilities/expertise. Since, marketing strategies have to operate in the competitive context, the capabilities/ expertise have to be superior compared to the competition. In the absence of the relevant competitive advantages, all strategies will fail.

- **While price route requires cost advantage, differentiation requires relevant competitive advantages**

In the previous section we saw that the price route to strategy requires cost leadership. It means the firm should have the competitive advantage in terms of cost for playing this strategy. The differentiation route too requires competitive advantage. In fact, this route often needs multiple competitive advantages. Brand image, channel clout, strong collaborations, unique process, integrated production facilities, flexible production facilities, and advanced R&D facilities, are some of them.

- **Cost advantage desirable whether the strategy is price-oriented or differentiation oriented:**

It is not as if it is only the price route that requires cost advantage. Cost advantage is quite a desirable strength in respect of differentiation-oriented strategies too.

- **Price and Differentiation routes cannot remain mutually exclusive**

Though the two strategy routes are distinct from one another, it does not mean that the two routes are mutually exclusive. In a highly competitive and complex market, firms are often compelled to embrace both the routes. They cannot totally ignore the price aspect and wage their marketing warfare on differentiation alone. Nor can they afford to totally ignore distinctiveness and go solely by the advantage of a low price. In their effort at staying ahead of competition, they use both the cards.

- **Neither Price Competitiveness, nor Differentiation is sufficient; the firm has to be Value Competitive**

Especially in the present times of global, no-holds-barred competition, business firms are compelled to extract the benefits of both the routes in their marketing strategies and offer the customer maximum benefits at the most attractive price, so that the offer is irresistible to the customers. Jack Welch, the former CEO of GE, aptly captures this idea when he says that in a highly competitive market, a firm has to offer the best product, coming out of the best technology, at the lowest price. So, the winner in the marketplace is the one whose offer is distinct and also price competitive. The name of the game, in marketing strategy, is to make the offer distinct, (superior) and price competitive.

14.6 Summary

Marketing strategy represents the plan by which the firm delivers its value to the customers. It also specifies how the firm would be enabled/empowered to deliver that value. It is marketing strategy that specifies how the firm would go about its value selection, value creation, and value communication. Marketing strategy enables the business units attain its marketing objectives. The objectives indicate what the firm wants to achieve; the strategy provides the design for achieving them. Put differently, the objectives tell *where the firm wants to go* and the strategy shows *how it will reach there.* 'STP plus marketing-mix', or 'STP plus 4Ps' constitutes an easy-to-grasp description of marketing strategy. No other clue than these two steps is required to understand it. STP is the preparatory part of strategy formulation and the strategy takes shape when the marketing mix/4P is constructed upon the STP. In fact, the entire marketing can be explained in terms of STP and marketing mix. If you decide the STP and the mix and implement the mix - you have completed marketing. There are only two broad routes available in forging competitive/marketing strategies and any strategy has to be either price-oriented or differentiation-oriented. So, the winner in the marketplace is the one whose offer is distinct and also price competitive. The name of the game, in marketing strategy, is to make the offer distinct, (superior) and price competitive.

Marketing strategy for a product/brand represents the sketch for the competitive battle by the marketer. For activating the strategy however, he needs to convert the battle sketch into a full-fledged and actionable marketing plan. He also needs to work out **detailed functional plans,** which will specify the activities/time frame/allocation of funds. It is worth reciting here, the dictum, 'execution is strategy'. And execution rests on a detailed marketing plan.

14.7 Key Words

- **Marketing strategy:** Represents the plan by which the firm delivers its value to the customers. It also specifies how the firm would be enabled/empowered to deliver that value.
- **Segmentation :** Process by which you try to understand the heterogeneous market by viewing it from different angles and grasping the commonalities as well as differences contained therein, and then divide the whole market into segments, each homogeneous within itself, sharing certain common characteristics.
- **Targeting:** Means picking up of the appropriate market segments.
- **Positioning:** Means that the firm has to clarify what it proposes to do with its offering, how it wants the offer to be perceived by the customer, what position it seeks in the minds of the customers and what image it proposes to build for its offer.
- **Marketing Mix:** 4Ps of Marketing i.e. Product, price, Place, Promotion.
- **Differentiation-oriented strategy:** A firm seeks to be unique along some dimensions that are valued by the buyers. It selects one or more attributes that buyers perceive as important, and positions itself uniquely to meet those attributes.
- **Price-oriented Strategy:** A firm opting for the price route should be enjoying an overall cost leadership in the given industry. Its lower cost vis-a-vis the competition should enable it to secure above average returns, even when it lowers its prices as required to meet the competition.
- **Experience brands:** Where experience forms a significant part of the offer and the firms differentiate it on the experience, the brands concerned become experiential brands.
- **Product:** It covers attributes such as its functionality, packing convenience etc. It also covers service and experience delivered by the offer.

14.8 Self Assessment Test

(1) What do you understand by marketing strategy? Explains the scope and significance of marketing strategy.

(2) Discuss the process of formulating marketing strategy.

(3) Why do the strategies employed by different firms look different from one another? What is the logic behind it?

(4) "All Marketing Strategies are Either Price-Oriented or Differentiation-Oriented, or a Blend of the Two". Elaborate.

(5) What are the different possibilities within Differentiation-Oriented Strategy?

(6) "Marketing mix cannot be a static thing; it has to be juggled as required". Explain.

(7) How marketing mix is assembled? How weightage for each P is decided?

(8) What are the conditions for the success of marketing strategy?

Unit -15 : Emerging Trends of Marketing

Unit Structure

15.0 Objectives

After going through this unit you should be able to:

- Understand marketing
- Definitions of marketing
- Nature of marketing , Brand and what can be branded
- Marketing Process
- Emerging trends of Marketing- Service marketing, societal marketing, technology marketing, political marketing, e-commerce, relationship marketing etc.

15.1 Introduction

Marketing is the process by which companies create customer interest in goods or services. It generates the strategy that underlies sales techniques, business communication, and business developments. It is an integrated process through which companies build strong customer relationships and creates value for their customers and for themselves.

It is a fundamental idea of marketing that organisations survive and prosper through meeting the needs and wants of customers. This important perspective is commonly known as the marketing concept. The marketing concept is about matching a company's capabilities with customer wants. This matching process takes place in what is called the marketing environment.

15.2 Emerging Trends in Marketing

1. **Transparency and trust are paramount** Consumers have lived through a variety of negative events throughout the past decade, and they're no longer willing to accept anything businesses tell them. Brands that embrace the loss of and make a concentrated effort to be honest and open in their marketing communications will generate positive consumer responses, which can lead to brand loyalty and brand advocacy. Building trust is the most important thing in 2010-11, and once they earned it, they need to make sure they keep it. In other words, transparency and trust is not a one-time thing. They are an ongoing effort.

2. **Less interruption, more enhancement and value-add** The days when ads and marketing messages were developed for the sole purpose of getting the attention of consumers are over. People expect more (or in the case of interruptions, less) from businesses and brands. Give them more by ensuring their marketing communications and efforts deliver useful and meaningful value.

3. **Speaking of value . . .** The economic downturn that occurred in the latter part of the past decade stopped many consumers in their tracks. Rather than spending money frivolously, consumers began seeking out deals, using coupons and actively looking for the biggest bang for their buck. When the economy recovers, that behavior will not disappear immediately. Companies have to be prepared for the consumer focus on value to continue well beyond 2010-11, and build marketing campaigns with that consumer demand in mind.

4. **Show it, don't tell it.** Consumers don't believe everything they hear. Indeed, consumers are more skeptical than ever, and business needs to prove their marketing claims. Don't just tell consumers about your product, business or services, show them what's in it for them if they pull out their hard-earned money and buy from you.

5. **Social media is not going away, and engagement is critical** Twitter, Facebook, blogs, YouTube, and other tools of the online social community are not going anywhere. Instead, these tools are being adopted by more and more people around the world. If companies thought they could avoid joining the bandwagon, they w ere wrong. In 2010-11, it's critical that business joins the social web conversation, and they must engage consumers on the social networking sites. Give them amazing content and interact with them to fully leverage the power of the social media.

6. **Peace-of-mind messages prevail** Consumers have lived through a wide variety of negative events over the past several years, from economic turmoil to environmental disasters and more. They're actively seeking marketing messages that give them a feeling of peace of mind. Companies should try to communicate a feeling of security in their marketing efforts to meet this need.

7. **Relationships rule** With the growth of web-based social networks and a desire for transparency, trust and peace-of-mind messages, it shouldn't be surprising that relationships rule in 2010-11 and beyond. Leverage the social web to interact with people around the world and build relationships that wouldn't have been possible a decade ago. When companies build relationships with consumers, they also build a band of brand loyalists that can become their most powerful source of word-of-mouth marketing, brand advocacy and brand guardianship.

8. **Online video and mobile marketing are hot** : Both online video and mobile marketing are set to explode, and we'll really start to see that happen in 2010. Companies have create their own online video content or mobile content, or they are investing in online video or mobile advertising.

9. **Focus, focus, focus :** The strongest brands are focused brands. As the first decade of the 21st

century unfolded, marketers and social media professionals began using the term niche more and more to identify highly focused products, websites, blogs and so on. Today, that strategy is even more important. Build companies core and keep it as strong as possible before company try to extend their brand and branch out into new areas.

10. **Integrated marketing trumps stand-alone tactics :** The number of marketing communications that people see each day is overwhelming, so it's important that their messages don't get lost in the clutter. Company can make their brand, their business and their messages stand out by surrounding consumers with branded experiences and allowing them to choose which of those experiences they want to consume. For example, use online advertising, online video, custom content, point-of-sale collateral, and ads with consistent messaging to engage consumers in different parts of their lives. If companies are consistent and persistent, their messages are more likely to connect with their target audience--raising brand awareness, recognition, purchases and loyalty.

11. **Law and Marketing** : The laws and regulations of the land affect the marketing activities many ways. To satisfy the needs, wants and demands of the individuals the business transactions are taking place and which involves activities such as manufacturing, storage, sales, distribution and finance. To regulate these activities in industry, trade and commerce in the State, the set of laws are required. These laws are called Business Laws. It includes laws relating to sales of goods, business contracts, company formation, unfair and restrictive trade practices, negotiable instrument, manufacturing, promotion and distribution etc. The business laws protect consumers, protect the businesses from each other and simultaneously protect the interest of the society.

    Even the free market economy like USA has the regulations to control the domestic and exports sales activities of the marketers in the interests of the consumers, society, industry and the country at large.

    The country may have laws for restricting the certain class of goods leaving or entering the national boundary. For example in India exporting the live animal species is barred. Similarly, it is legally binding to print statutory warning of Smoking is injurious to health on packages of all tobacco products leaving factory. For the imported goods, countries across the world have passed the antidumping laws and restricted the imports through quota system. The political and economic system in the country is basically responsible for creating the legal environment in the country. The classic example is liberalization of Indian economy in 1991 resulted into closure of Licensed Raj with lot of restrictions on the business activities in the country then.

    The legislation is enforced to maintain the competitive business environment. The certain restrictions on business are must to serve the following purpose:

- Protect the consumers
- Equal access to markets by all competitors
- Protect the interest of the society

12 **Types of marketing more used these days :** Service Marketing, Societal Marketing, Technology marketing, Political marketing, E-commerce, Relationship marketing, Morph Marketing, Tele-Marketing, Green Marketing, Cause Marketing, Buzz Marketing, Permission Marketing, Mobile Marketing, Network Marketing, E mail Marketing, Search Marketing, Event Marketing, Sports Marketing, Grey Marketing, Niche Marketing, Transparency, Authenticity, Democratized advertising, WOMM, Controversy, Market space, Social media, Trusted social media advertising, Online paid search ads.

15.3 Service Marketing

Services are activities and benefits provided by an organization that satisfy the buyer's needs while providing little or no new ownership of physical or tangible goods. Physical items may or may not be involved in the production of the service; the primary customer benefit is from the usefulness or enjoyment derived from the service. It is possible for customers to purchase services that they will never be able to touch or even define clearly, as in the case of life insurance or inoculation against disease.

The process of marketing services and marketing tangible goods is fundamentally the same the process of planning, implementing and controlling the marketing mix are carried out in. Because of their intangibility, services present special problems and challenges to marketer. In marketing the service of a airline company for example, it may be as important to stress the politeness, friendliness and neatness of the employees as it to emphasize their competence. The environment in which a service is sold and the image consumers have of service providers can be as important as the service itself in obtaining the acceptance of buyers.

Characteristics of Services :

Services are different from products in several ways. Service sales tend to be less affected by economic booms and recession than good's sales. The production of tends to require more labour and less capital then the production of manufacturing goods. Partly as a result, increases in productivity have been lower in the service sector.

The services have more diversity that the physical products. The diversity is caused by the following characteristics that distinguish it from the physical products.

1. Services are perishable.
2. Buyers often are involved in the development and distribution of services.
3. Services are tangible.
4. Services Quality is highly variable.
5. Standardization of services is difficult.
6. Services are inseparable from the service provider.

Five R's of Customer Service

Customer service gets a lot of lip service these days. For giving really a good customer service, service oriented sales people always follow the five R's, i.e.,

(a) Reachable: We should be reachable when the customer needs our help.

(b) Responsive: We should always handle a customer's problem or request promptly.

(c) Readable: Communicating clearly and concisely, whether in person, by phone or by mail.

(d) Reliable: Reliability means customers known they can count on us to do what we promise.

(e) Reasonable: We should always open to customer's question and concerns. We should always be first to admit a mistake.

15.4 Societal Marketing

The concept of growth at all costs, which governed development policies around the world up to eighties, is now being replaced with the concept of sustainable development in and after nineties. This is in fact, the result of heavy price in terms of decreasing healthy standard of human life which we have started playing of unsustainable consumption pattern, particularly of the developed countries. In the name of growth, fossil fuels have been brunt. Marketing concept and techniques are now widely used to prompt social welfare schemes. Marketing people concentrate on profit maximization with priority followed by customer satisfaction and social interest.

The above four dimensions are commonly observed in marketing policies of various organizations. In addition, other societal marketing related dimensions are:

1. Marketing of hospital services
2. Marketing of education
3. Minimization of birth rate

The dimensions of social marketing mentioned thus, make it clear that attitudinal change in organization decides the functionality of social marketing. Hence, the need of the time is to motivate for the attitudinal change. This holistic social marketing principal helps the marketer in making a rational policy, in designing an innovative strategy and an appropriate blending of individual, organizational and public interest.

15.5 Technology Marketing

Success with high tech products requires a confluence of technical understanding and marketing skills with conventional products, the general need or desire is well known while with the new technological possibilities, the need or desire are not always known. Therefore the technological marketer must take one step backward to identify the fundamental role that his product can fulfill in the market place. The fundamental approach for new technology marketing can be modeled as the P's and Q's of marketing. The P's are people, product, place, price, packaging and promotion, and the Q's are quantity, quality and quickness.

Technological marketing focuses on inducing substitution or reducing the buyer to purchase the new product or service instead of something else. Unplanned babies come out of using technology to modernize something that has a well established place in every day life. One common example is the use of automatic teller machines (ATM's). The original idea was that machines could carry out the old cash dispensing function more efficiently –i.e., Phase-I-deciding to use new technology for an old function.

But a new way of doing things is always subtly different from what has been done before. There is always at least on aspect that has changed. In the case of dispensing ATM's changed two things-where the cash was available and when. And there two aspects caused a fundamental change in the utility of the service received by customers. For the first time, they could get cash out of bank working hours and away from bank premises, which was indeed a new bank service. The customers were delighted with it and demanded more. This lead to Phase-II- i.e., where in new technology used for an old purpose give rise to a new market situation.

The Phase-III is that the marketer stands back from such a situation and reappraises it objectively as it gives him the opportunity to gain a much deeper understanding of the needs and desires of potential customers that have arisen out of the reappraisal.

In the case of ATMs, the numbers of banks around the world have entered this phase by introducing new type of customers that are accessed entirely by ATM cards. Microprocessor technology is another example of unexpected multidimensional changes leading to a large range of new products embodying multifarious market desires.

In essence, it can be said that technology marketing comprises analyzing existing market demands through technology, reappraising and redefining market needs and desires in the light of the response to the new technology and, accordingly fine tuning products for the developing market place.

Activity 1

Explain the uses of internet in today's era.

15.6 Political Marketing

In a Democracy like India, the public has to go through the elections for electing office bearers in every few years. These are for national, state or local offices. In India there are the Parliament, Assembly, the local Zila Parishad, Municipal bodies and Panchayats. Political parties candidates and independent candidates contest the elections. Each one wants to win the election and for this he has to pull voters. For this purpose, candidates are involved in the process of political marketing.

Political marketing has become a major industry and area of specialization. In India in 1989 parliamentary elections roughly Rs. 1000 crore were spent on media advertising, outdoor advertising, video and audio cassettes, posters, stickers and other ways. The major marketing input in case of political marketing includes:

1. Marketing research through opinion pools.

2. Employing professional advertising for campaign development.

Activity 2

Describe political marketing in Indian scenario.

15.7 E-commerce

In the series of latest developments that marked the progress of technology are the internet and the World Wide Web (WWW). At par with the earlier discoveries such as fire, steam engine and the proliferation of telephone lines, the world wide web ushers revolutionary changes relating to how the human beings communicate, educate, entertain and the way how they carry on business. Companies all over the world are finding e-commerce as the new platform for the business in the years to come. The revolution in information technology has brought many changes in the business practices and its performance. E-commerce is the latest concept which helps to develop their competitive edge.

Commercial transactions over an electronic medium are known as e-commerce. E' stands for Electronic and Commerce' stands for trade and practices. Though there is no official definition of e-commerce, different experts have defined it differently and as under:

The sharing of business information, maintaining business relationships and conducting business transactions by means of telecommunication networks.

E-commerce is more than simply buying and selling goods electronically. It involves using network communication technology to engage range of activities up and down the value added chain, both within and outside the Objectives of e-commerce.

The system of e-commerce is designed to fulfill the following objectives:

1. To bring paradigm in shift in business performance and to develop their competitive edge.
2. To develop business relationship on strong footing.

3. To find out and analyze market potential.
4. To provide better service and delight to customers.

Models of E-commerce

There are several ways in which E-commerce products and services can be sold. But all these kind of selling is a part of five levels of E-commerce

1. Business to Business (B 2 B)
2. Business to Consumer (B 2 C)
3. Consumer to Consumer (C 2 C)
4. Consumer to Business (C 2 B)
5. Government to Consumers (G 2 C)

E-commerce and India

India is uniquely positioned and has to be start from the scratch. There is a need to develop high speed, long distance between back bone networks that will interconnect the entire world.

The existing business rules need to undergo radical changes and new business strategies have to be evolved. The Indian Evidence Act, 1987, does not take cognizance of the electronic transactions. Reserve bank of India does not allow credit card information to be supplied over the internet without a legally binding signature. The government of India formulated certain guide lines to make e-commerce realty.

At present the internet in India is growing at the rate of 10 percent per month. The info-communication penetration in India is 1.3 per 100 as against the world average of 10 out of 6,04,374 villages only 2,67,832 villages have telephone lines in India. Telephone service is very expensive. It may affect India's participation in e-commerce. However the government of India has realized the importance of informational technology and has recommended for conversion of all STD/PCO booth into info-kiosks. Experts predict that net users in India would increase to 25 million in the next five years.

It is time for India to restructure its legal, business and communication infrastructure. If it fails to do so, it will cost heavily. A recent relevant example is Ludhiana in Punjab, which suffered heavy loss in business. Ludhiana is known for its exports of hosiery and sports goods. Recently exporters noticed an inexplicable drop in sales. Further inquiries revealed that business is being to Pakistani exporters across the border. The reason for this was neither quality nor price, but the exporters in Pakistan have put their product on the web. Increased convenience and communication has led to the loss business to India.

India has to evolve a great framework for the recognition of its global intellectual property right, patents, copy right in order to enable global organizations to offer their products and services to the masses. In the words of N. Vittal, chief vigilance commissioner of India, e-business is a goose that can lay down eggs. Allow the goose to egg laying stage. Don't kill it. He listed six C's that are required for e-business to grow in India. They are computer density, connectively, content, cyber law, cost control and common sense.

Future of E-commerce

In the next few years experts expect that world and world of marketing in particular to be entirely transformed by the yet to be realized potential of e-commerce. By the end of this decade, million of companies and individual be buying, selling, biding, brokering, advertising and collaborating on a daily basis, as the internet mergers with other branches of information highways. The resulting economies of scale will bring down cost of implementing and maintaining proper infrastructure.

Participation in E-commerce is certainly the key-word of success, especially international trade for every country and its industries sooner or later. India and Indian industries are not exception to it. So future belongs to e-commerce. E-commerce has also a lot of employment potential in the systems and programs. In future, merely clever use of technology shall not be enough, vision and commercial statesmanship shall be essential to make it a success.

> Activity 3
>
> List out the websites provide facility of e-commerce. Make a comparison between these websites by choosing a product.

15.8 Relationship Marketing

Today the process of globalization, privatization and liberalization coupled with faster urbanization has created the marketing environment highly competitive and sensitive. Gone are the days when the companies were supplying their products to the customers and the customers were willing or unwillingly forced to accept the product at services, reason being that the customers were having option. Today a lot of water has flown through river. A new age marketing aims at winning customers for ever, where, companies greet the customers, create products to suit their needs, work hard to develop life time customers through the principle of customer delight, customer approval, customer enthusiasm etc.

Modern marketing calls for building trust, a binding force and a value added relationship with the customer to win their hearts. Marketers care, acknowledge, appreciate and empower the customer in a number of ways like sending thank you cards, special occasion cards, frequency rewards. Hence, relationship marketing is aimed to create strong, long lasting, fruitful relationship by developing long term bonds through its various instruments of personal connections, as a result, customers start identifying associating themselves with the product, prefer and accept company's product and service over competitors' offerings, and buy again & again, recommend others to buy. Thus, they become loyal to the product and feel a kind of kind ship with it.

Benefits and importance

1. Relationship marketing builds goodwill in the market which in turn generates additional traffic to the outlet.
2. Relationship marketing is a highly effective technique to keep track of buying habits, intensions, self images & spending patterns.
3. Relationship marketing leads to the development of loyalty and satisfaction which in turn increases transactions with the same customers, again and again.
4. Relationship marketing can stop-customers switching to another brand.
5. Relationship marketing results in positive image projection and enhanced brand equity on account of high degree of customer relation and loyalty.
6. Relationship marketing calls for listening and caring for the customers which in turn develop a sense of belongingness and a soft corner for the company itself in the mind of customers.
7. Relationship marketing leads to develop a positive relation with the customers and in this way it becomes an effective tool to keep the competitors away from our customers' sight.

Principles of Relationship Marketing:

Following guidelines help in developing a positive and long term relationship with the customers.

1. Marketing system should be an integrative marketing system with the open system approach which takes into consideration the environmental forces.
2. Companies should continuously search for value building approaches through a system of quality management review process because only by exceeding customer expectations, marketers can build a value laden relationship with customers.
3. Marketing organization should establish a separate relationship cell to prepare, implement and monitor their relationship marketing program.
4. A provision of additional compensation and incentive system should be made for the sales people working with important charts.
5. Developing the relationship is a specialized job and the companies should not totally rely on technical people. Instead, relationship managers should be employed who are specialized in marketing, communication and interpersonal skills.

Information Technology and Customer relationship Management

Information technology holds the key of future of customer relationship management. Now, marketers with technical capabilities are keeping track of individualized behavior and purchases, directly interacting with the customers through electronic links and developing data bases to recognize unexpected patterns for marketing adaptation and using software to manipulate and update data quickly for best marketing results.

Information technology is playing a highly significant role in building on the established customer base on the battleground of 21st century market place. Marketers are using information technology in the following different ways to recognize, respect, reward and retain their key customers.

1. **Capturing customer perception in real time:** This is the most effective way of being truly responsive to customers and allows organizations to take quick actions. Encouraging customers to comment and complain on the spot and then empowering the markets to respond in the desired fashion. Companies are using variety of devices for this purpose like video cameras, tape recorders etc. To collect first hand information any time about customer perception, a portable computer system called 'Q' is being developed. It is freestanding mobile computer that can read and analyze customer feedbacks.
2. **Data base Marketing:** Companies are using state of the art database marketing techniques, which allow marketers to analyze customers past buying patterns and compare them with demographic and psychographic data to determine future purchase behavior. Marketers are shifting their focus from product and brand management to customer/account management.
3. **Creating virtual dialogue:** Marketers are developing databases to keep a record of their spending patterns and other behavioral aspects of customers. By monitoring the behavior over a period of time the marketer may interact in the most effective way to inform the customers about the new product or service offerings best suited to their personality type, life style and other behavioral characteristics.
4. **Electronic and infra red surveillance equipments:** These equipments provide retailers with improved data about customer's traffic patterns and buying habits while they shop in stores.
5. **Z-axis:** Using PCs and a customerized software program called 'Z-axis‘; sales people can design and generate proposals in no time.

6. **Electronic relationship marketing program:** Marketers are developing and implementing electronic relationship marketing program involving frequently shopper cards, customer profile and intention forms.

7. **Use of software, enhancing marketing effectiveness:** Marketers are using a number of softwares like BMW's Retail 2000 relationship marketing uses sales person empowerment and desktop technology to bland sales and service into a seamless process. It enhances customer satisfaction and help dealers to retain customers and employees. Ford motor's uses focal point technology to guide employees through sales and service transactions.

8. **Software installation:** Marketers are locking customers into the services of product offerings by installing softwares for the customer's. Thus, they are not only providing them an ease or convenience in communicating with the marketers out also restricting in their switching over the competitors by developing a kind of kindship with them.

9. **Infrared sensors:** Retailers are using infra red sensors in the store ceilings to track shopping carts and to get an insight into customer's purchase patterns.

10. **Networking of devices:** The networking of devices has enabled organizations to collect information in detail about spending patterns, spending preferences, cross sales etc. from the point where the transaction occurs. Electronic data devices are used to collect information, which is then transmitted back to a central computer so that customer's actions can be monitored. The most commonly systems in use are :

    (a) Market Basket Analysis: This technique is used to build profiles of the individuals shopping in the store. The collected information can be used to target with marketing materials and specifically aimed at encouraging them to spend more.

    (b) Electronic Point of Sale System (EPOS): Through a regular interaction with the customers marketers are collecting information on the customer's preferences for particular product or service and then trying to match them with the total population of customers. By identifying the suggestions to the potential and existing customers about the purchase patterns and satisfaction levels of the customers who have already purchased or consumed the given offerings. Thus, marketers are trying to add new opportunity to the existing shopping experience, enabling customers to access the views of people with similar tastes and interests and automating the word of mouth experience.

11. **Automating the word of mouth experience:** Through a regular interaction with the customers marketers are collecting information on the customer's preferences for particular product or service and then trying to match them with the total population of customers. By identifying the customers on their database who have the most similar preferences and tastes, marketers are offering suggestions to the potential and existing customers about the purchase patterns and satisfaction levels of the customers who have already purchased or consumed the given offerings. Thus, marketers are trying to add new opportunity to the existing shopping experience, enabling customers to access the views of people with similar tastes and interests and automating the word of mouth experience.

12. **Online analytical processing (OLAP):** The process of quarrying and analyzing with multiple dimensions is the core principle of these tools. OLAP tools are used for finding out the relationship with customer related variables. The drills down facilities are there in the tools to concentrate on much deeper trend analysis.

13. **Data warehousing:** Marketers are employing data warehousing techniques to develop customer profile and check patterns of retention and loyalty.

14. **Automated telephone service:** Customers are being provided by the marketers with the facility of automated telephone services to empower the customers by having an instant access to information about the availability of product.

15. **CRM:** It is asset of discrete software and technologies which focuses on automating and improving the business processes associates with managing customer relationships in the area of sales, marketing, customer service and support. CRM applications coordinate multiple channels of communication with the customers such as face to face, the web, and the telephony.

16. **Internet:** These contain sales and marketing information such as catalogues, price lists, customer information and order status to let sales representative quickly answers customer's questions and take orders without call backs.

17. **Customer information system:** Marketers are developing a separate customer information system to gather, process and analyze all sorts of information about individual customers and thus enable the organization to customize to the individual level, remain up to data with the satisfaction, loyalty, retention level and other relevant information needed for strategic purposes.

18. **Point of sale system:** Companies have developed point of sale systems-a software integration to capture the information in real time and building a data warehouse.

19. **Information technology enabling all time all days working :** Use of Information technology (telephone, interactive T.V., and other sophisticated technology) in marketing and purchase related activities not only means that geographical presence is unimportant but also offers a way of enhancing the value attached with the product and service offerings.

20. **Internet:** In the modern marketing environment, customer can interact in any business at any state in a number of ways like product designing, tracking information search etc. through internet-a most important tool forcing both the marketers & customers to understand and value each other activities.

21. **Internet based knowledge management systems:** These incorporate subject matter expertise on various customer care issues and makers all that knowledge available to customer care representatives as they work to solve problems.

22. **Computer networking:** Devices like E-mail, videoconferencing, groupware etc. facilitate horizontal communication. When a customer reports a problem, the call automatically goes to the person specializing in the field. Operator gets a description of the problem and its urgency, type the information into the database and zap the file to the place where related person is located.

23. **Mass customization of Product/Services:** Marketers are making strategic use of sophisticated customer information gathered from key customers and complied in the form of database. The database is then used to determine an individualized communication strategy and customized product or service for high potential relationship customers. Through I.T., marketers are differentiating and improving offerings also for their key customers.

24. **Mass customized advertising:** Marketers are now making use of mass customized advertising-advertisements specially designed for individual prospects to catch their attention.

25. **Electronic communication systems :** Prompt response requires electronic communication program like interactive voice response program to touch and feel, fax on demand to answer raised queries, restricted access internet site to make information available under all heads and live customer service representative answering the raised questions.

26. **Business intelligence solutions:** A few marketers are hiring consultants, installing softwares and developing software technology labs, providing analytical tools aimed at addressing business efforts. Business intelligence solutions are becoming mission critical systems for managing customer relationship.

27. **Collaborative filtering:** It compares individual purchase behavior with every other individual purchase behaviors.

28. **Internet based knowledge management systems:** Companies are developing internet based knowledge management systems that incorporate subject matter expertise on various customer care issues and make all that knowledge available to customer care representatives as they work to solve the problems within no time.

29. **Customer smart card :** Marketers are providing key customers a card called as smart card which carries all relevant information, details or previous and repeat purchases etc. to make it convenient for the customers to recall and for the marketers to keep a track of the behavioral and purchase trends.

30. **Virtual reality :** It encompasses a wide variety of computer technology application and conveys multiple sensory informational and thus allow the customers to interact with the offerings. It offers potential for effective design and marketing of service scopes.

31. **Data mining :** Data mining tools extracts the hidden, unexpected trends from large databases to predict future trends and behavior, allowing business to make proactive knowledge driven decisions in the areas like market segmentation, targeting and positioning, development of customer-oriented marketing strategies etc.

32. **Toll free numbers:** Marketers are making use of toll free numbers to solicit buyer's feedback about the offerings.

33. **Extranet:** Development of extranet enables sharing selected information directly with the customers by linking themselves the customers. Marketers are installing software so that customers can examine about the availability of the product and also order at the same time.

34. **In touch programs :** The in-touch programs like fax on demand keeps the relationship on the providing timely support material, quotes, delivery dates and so on.

35. **Call centers and answer centers :** These are being designed to answer the specific queries before and after the purchase made by the buyer.

36. **Firefly:** A software designed to track consumer preferences and make suggestion to customers based on their previous and those of people with similar preferences.

37. **Infomediaries/information based brands:** The amount of information marketers have on a customer‘s previous purchases based on which they recommended recipes on individual preferences.

38. **Imaging systems :** They allow organizing all incoming mail and automatic filing into the appropriate customer file.

39. **Online Information Tracking Programs:** Programs like Cosmos IIB track and process online data to provide real time information on net to customers.

Relationship Marketing and Indian Environment

Indian marketers are striving hard to create strong lasting relationship with the customers through various instruments of personal connections. Indian marketers seem to be in the responsive marketing stages in case of product and in the stage of accountable marketing in case of services.

1. Special Facilities- Opel Astra card to car owners to provide special facilities like 24 hours service breakdown service etc.
2. Customer Training – Hawkins with a dealer network of more than 500 dealers provides training to customers as how to cook effectively and variedly in Hawkins pressure cooker.
3. Mystery shopping program – Bank of America is using mystery shopping to identify, appraise and reward on interpersonal skills and relationship building abilities of marketing personnel.
4. Frequent marketing programs – Free flights to frequent fliers By British airways.
5. Club information – Magic club, Barbie club, Saffola healthy heart club etc.
6. Relationship cells – Apollo Tyres have developed a separate relationship marketing cell specially functioning to develop and maintain relationship with the customers.
7. Awards – Welcome group gives away awards to the most loyal customers.

Activity 4

What do you understand by toll free number? Do an analysis on its usefulness?

15.9 Tele-marketing

Tele marketing is a necessary component of a comprehensive marketing campaign. Companies are generally driven to telephone whenever competition increases. Hence they can corner the market and target the existing customers effectively. When we integrates all the part of direct response channel, including advertising, direct mail and telephone, the response is always better. Here we are exposing our audience to multiple touches. Direct mail is effective and teleservices is effective. But if we combine two, it is as if two plus two equals to five (synergetic effect).

Telemarketing is not a substitute for personal selling or for direct mail. But if we compare the effect of telemarketing, then we can stay that personal selling and direct mail supplement the effort of telemarketing. The companies today assign field sales people to work for phone salespeople. The phone salespeople own the territory and they are allowed to push their major field people up to bigger accounts and earn better returns. Telemarketing effectively reduces the overall cost. Put this into content of a sales person that used to visit a customer 12 times a year but starts visiting six times a year and calling the other six times.

The change in attitude stems from the fact that the people are more comfortable doing business over the phone. Hectic schedules and broadening geographic contacts have made the telephone much more than at tool for conversation.The telemarkets must be satisfied with their jobs instead of making them the lowest paid, have them equal to other people who make the money for the company.

15.10 Environmental Marketing

Environment is a dynamic word. It stands differently for various people. A marketing man defines it as a marketing environment, financial man has his introspective definition, yet a business environment has different meaning. Here environment refers to natural environment which is defined as surroundings around of us, where we brought up, survive and end our breath.

Environment is a core requirement for survival and growth of any living or non-living thing. In ht e absence of environment, it is unthinkable about survival of any creature, subsequently question does not arising in conceiving a business corporation and marketing its products.

These days there is an increasing focus on ecological trade-off and environmental protection. There is great alertness in the mind of not only environmentalists but also every citizen of the planet. All of us are fully aware and concern about environmental problems whenever they make any purchase right from cosmetic to automobile, pay meticulous heed at environment.

15.11 Morph Marketing

In today's time of competition, the products attributes are not much important for differentiation but the service features especially for the marketing of consumer semi durables and durables. Today product and services are exchanging features more closely then ever before. A new powerful tool of selling-Morph Marketing-is shaping this transformation. The important is not what marketer is selling but how he develop the long term relationships with customer and up to what level he is able to reduce customer's dissonance.

Benefits of Morph Marketing :

1. Bundling services with the product help to rewrite customer expectations. Customer will use the services as a measuring stick with which they judge the value of the product.
2. Product-service envelop will embellish branded value, keeping it contemporary.
3. Differentiating through service will deliver unexpected value to customer and boost sales.
4. Spear heading the marketing through a service will make mass customization possible as in case of Videocon the company maintains a direct relationship between brand and consumer by dispatching a company engineer to the customer's home.
5. Enriching the product with the service envelop enable quick responses to changing customer needs. As by Philip 24 hours complaint registration facility and giving information facility.
6. A service product combination allows overcoming the non-involvement barrier. Low excitement product can seldom generate sufficient enthusiasm after purchase to induce the customer to choose the one brand over another. To overcome this situation CEAT renamed its showrooms Ceat Shoppe and provided the services like inspection, wheel-alignment, pick up and delivery and general auto maintenance advise free of cost.

15.12 Summary

Marketing is an exciting, dynamic and contemporary field. It influences us each day in both our roles as providers of goods and services as a; customer. In other way we can say that, we are all involved with or affected by marketing practices.

After 1991, the paradigm has shifted from a seller's to the buyer's market because of the policy of economic liberalization and globalization. The arrival of new competition from abroad and from India, has changed the scene completely.

And the number of P's will not stop growing in future. People are already talking about the 11th P: Product and service envelop (i.e., morph marketing). In the good old says, it was enough if our product or service had a USP.

But today, a USP is not enough by itself. We have to create a brand personality, brand awareness, brand loyalty and finally brand equity. We have to captivate your customer through our brand, otherwise some one else will. We have to envelop our product with service. There is a great revolution taking place in the marketing field.

15.13 Key Words

- Morph marketing,
- Tele marketing,
- E-commerce,
- Environmental marketing,
- Relationship marketing,
- Marketing mix

15.14 Self-assessment Test

1. What is marketing ? Explain the importance of marketing tools in the growth of organization.
2. What are emerging issues of marketing? Explain.
3. Morph marketing is powerful tool of selling Describe.
4. Tele marketing save money and time. How?
5. Explain the term E-commerce and its impact on business performance.

15.15 Reference Books

- Kotler P., Markeitng management, Prentice-Hall 2003 ISBN: 81-203-2083-2
- Kothari, Mehta, Sharma, 'Marketing management', Ramesh BookDepot 2008-09 ISBN: 81-8142-313-5
- Kumar A., Meenakshi N, 'Marketing management' Vikas Publication 2006 ISBN:
- Marketing-Philip Kotler
- www. wikipedia.com [27/10/10 IST:11:00 pm]
- www.123rf.com [29/10/10 IST: 10:30 pm]
- www.fotosearch.com[29/10/10 IST: 10:30 pm]
- www.optaros.com [24/10/10 IST: 9:00 pm]
- www.hindu.com
- www.businessexpertpress.com
- www.google .com
- www.googleimages.com
- www.youtube.com

Unit – 16 : Multi Level Marketing

Unit Structure

16.0 Objectives

After studying this unit you should be able to understand:

- The concept of Multi-level marketing
- USP, features and top Five Advantages of MLM business opportunities
- MLM Model
- Process and Products of MLM
- Advantages and disadvantages of MLM as a business model
- Issues in MLM
- Amway's Direct Selling in India with the help of example

16.1 Introduction

Multi-level marketing (MLM) is a modified version of direct selling. Some times it is referred to by other names such as **network marketing, member- get-member (MGM) Programme, affiliate marketing** and **pyramid selling.** It is a term that describes a marketing structure used by some companies as part of their overall marketing strategy. The structure is designed to create a marketing and sales force by compensating promoters of company products not only for sales they personally generate, but also for the sales of other promoters they introduce to the company, creating a downline of distributors and a hierarchy of multiple levels of compensation in the form of a pyramid. **Avon, Amway, Oriflame, Tupperware** are among the largest MLM outfits in the world. The Indian Firm, **Modi Care** also sells its range of household and personal care products through MLM.

The products and company are usually marketed directly to consumers and potential business partners by means of relationship referrals and word of mouth marketing. As the name suggests, Multi-Level-Marketing (MLM), basically involves selling a company's product through people networking. In simpler words, multi-level-marketing entails selling a company's products directly to the end customer instead of selling them through the regular retailing process. In today's networked age, it could be a multi-marketing solution. After all, it's a revolutionary new distribution system. It has the power to speed the product into the consumer's home, neatly side-stepping the complex conventional system. And it demands next to no spending on advertising, promotion, and infrastructure-building.

Multi-level-marketing is executed through a multi-layered distributor channel where payments by the company are made differently to the distributors according to the level they fall in. Distributors are responsible for the business development and the revenue generation for the company.

Stripped to the basics, the MLM system utilizes a multi-tiered salesforce of independent distributors—none of them employees—to sell products directly to consumers, and earn commissions at two levels. The first level is in the form of the difference between the distributor's cost and selling prices. The second is in the form of a proportion of the commissions earned by other distributors whom he/she recruits on the company's behalf. Thus, the MLM Company completely bypasses the retail chain, distributing products through person-to-person contact and cutting the waste from lineal marketing.

16.2 Unique selling proposition of Multi Level Marketing

Multi-level-marketing works on the following fundamentals:

- **Daily use products:** Generally multi-level-marketing is done by the companies that are offering products of regular use, such as, soaps, detergents, car wash, containers and cosmetics, to name some.
- **Convenient shopping:** The convenience of shopping is another strong feature of multi-level-marketing. Generally, multi-level-marketing supports online shopping and at times even people network makes the shopping process easy. The distributor goes to the customer's house or whatever place is convenient to both the seller and the buyer.

16.3 Features of Multi Level Marketing

The following are the key features of multi-level-marketing:

- **Network:** People's network is the backbone and the soul of MLM. Word of mouth and trust play major roles in the success of MLM. People known to the distributor trust him or her recommendations and try out the products. If the products do have the impact on the customers, then these customers further recommend it to the people known to them and so on and so forth.
- **Flexible timing:** The distributor can work for as long as he or she wishes to. Therefore, the time, money and efforts to be invested in MLM are totally on your choice. Distributor may pursue it full-time or part-time as per convenience.
- **Convenience:** Along with the convenience of flexible timings, MLM facilitates working from home. One don't have to show up in the office daily, distributor can work from home and at whatever time he/she wants to.
- **Small capital requirement:** There is a need of very humble start-up capital to begin MLM. Therefore, one run little financial risk. But, risk-return ratio should be measured before venturing into MLM.

- **Independent distributors:** MLM happens through independent distributors network. These distributors obtain the products from the company directly without any middlemen. Reference memberships result in distributors network.
- **Late results:** In MLM, after a lot of hard work, one start very modest. It takes a lot of time to grow in MLM. Multi-level-marketing requires more perseverance, tact and great people network to succeed.

16.4 Advantages of MLM Business Opportunities

1. **Long-term income and stability.** MLM distributor is not required to become slave of their job. Rather, they will reap the commissions that come from all the distributors in their network. The beauty of it is that each of those distributors, no matter how many levels down from the original source, can do the same thing. They can set up their own networks and enjoy long-term income and growth.
2. **Freedom that comes from owning your own business.** You make the decisions about when you work and when you don't. Family time takes on a whole new meaning. You will be the one who spends time with your children when they need you. You will be able to go to the tennis matches and ballgames. You are in a position where you are in control of how much wealth you will generate for them and what lifestyle you choose for the family to enjoy.
3. **Support from the parent company.** The company you choose to connect with, has a vested interest in your success. Besides, it has the resources to help you succeed. It will provide an abundance of training and encouragement. You will be working with a team that will provide encouragement and advice to take you wherever you want to go. Many distributors are making sizeable fortunes in multi-level marketing because of the support they get from their parent companies.
4. **Relationship marketing.** This is today's most effective form of distribution. This person-to-person approach makes it possible for you to share the benefits of the independent business opportunity with others. At the same time, you will receive rewards for their success. Rather than being simply a cog in an impersonal wheel working at a 9 to 5 job for a corporation, you will be developing your own circle of partners, all of whom will work with you toward your and their success.
5. **Use of the Internet in powerful and effective ways.** The time has come for disillusioned corporation employees to take advantage of the advances internet has made possible. You don't have to work out the tools and schemes to use the tools because that has already been done for you. You only need to apply your own initiative and ingenuity to make this work for you.

16.5 Multi-Level Marketing Model

Independent, unsalaried salespeople of multi-level marketing, referred to as distributors (or associates, independent business owners, dealers, franchise owners, sales consultants, consultants, independent agents, etc.), represent the company that produces the products or provides the services they sell. They are awarded a commission based upon the volume of product sold through their own sales efforts as well as that of their downline organization.

Independent distributors develop their organizations by either building an active customer base, who buy direct from the company, or by recruiting a *downline* of independent distributors who also build a customer base, thereby expanding the overall organization. Additionally, distributors can also earn a profit by retailing products they purchased from the company at wholesale price.

This arrangement of distributors earning a commission based on the sales of their independent efforts as well as the leveraged sales efforts of their downline is similar to franchise arrangements where royalties are paid from the sales of individual franchise operations to the franchiser as well as to an area or regional manager. Commissions are paid to multi-level marketing distributors according to the company's compensation plan. There can be individuals at multiple levels of the structure receiving royalties from a single person's sales.

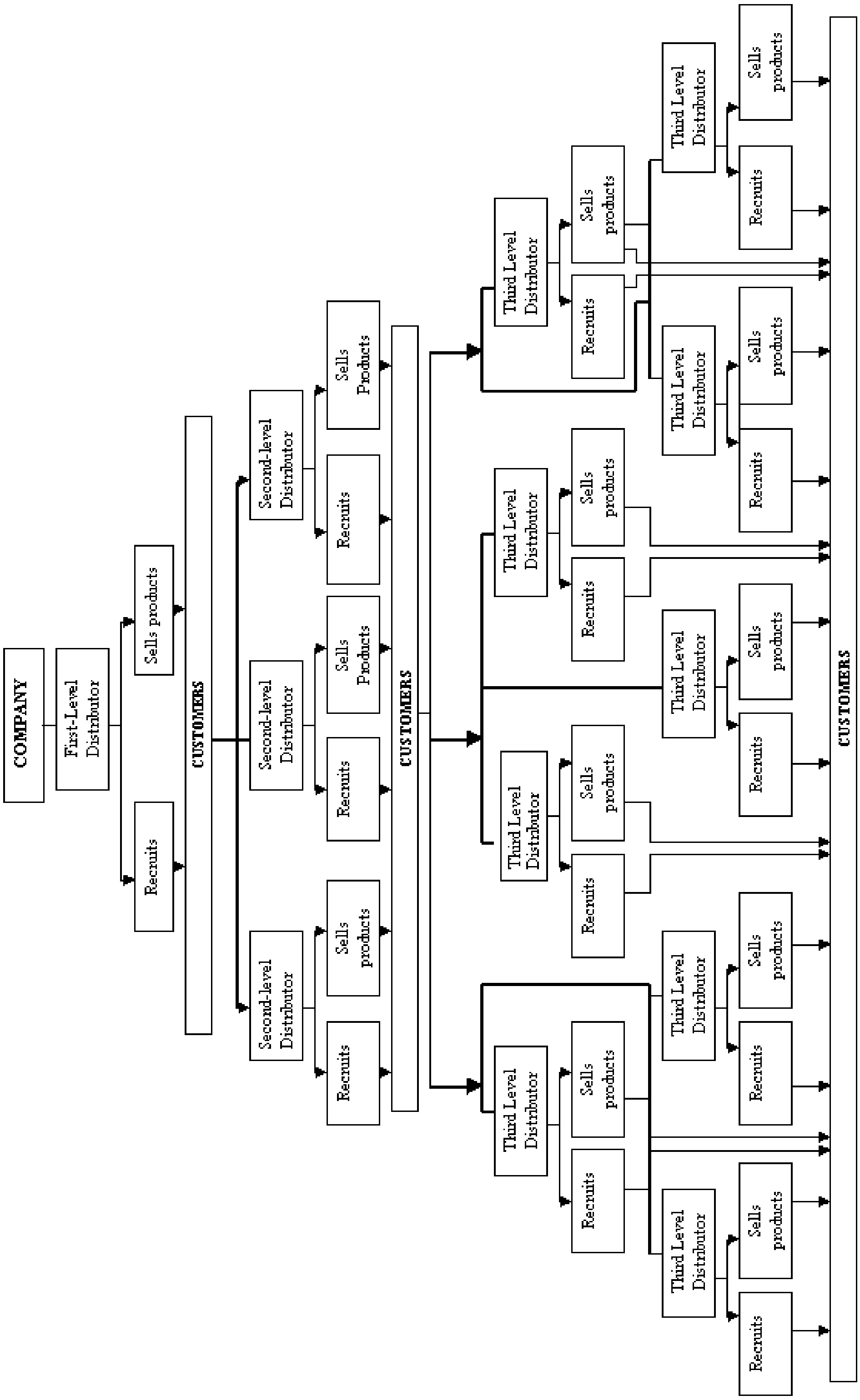


Fig. 1 The MLM Distribution System

16.6 MLM Process

MLM process reinforces the concept of entrepreneurship and encourages masses to start their own ventures. The dream of MY OWN BUSINESS is fulfilled by this concept. Moreover it attracts part timers like housewives and helps than become potential source of earnings for their families. Nearly 70% of Amway distributors are women who prefer to work part time. These women gets an opportunity to make money in their spare time besides being able to win friends and influence people to use their company's products.

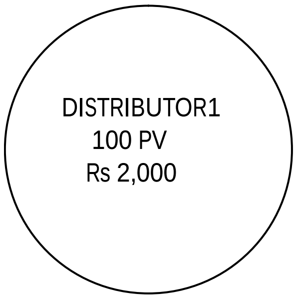
The process begins with the recruitment of a core group of distributors, who normally pay the company a registration fee and, often, have to be introduced to the company by a sponsor. Each of these distributors picks up products worth a certain sum—say, Rs.1,000— with the mandate to directly sell them to their customers (see Fig.2). While the mark-up is normally pegged at between 25 and 30 per cent, the distributor can, of course, charge a lower price, thus reducing their commission. The value of the products that distributors buy from the company varies: an Oriflame distributor, for instance, starts with an order for Rs 5,000—with a credit line of one month—while an Amway distributor begins with Rs 3,000 and a Modi Care distributor with Rs 1,000. Only after they have sold their first consignment they are allowed to pick up their next lot.

The process, however, only begins here. For, the system is structured in such a way that the more products a distributor sells, the higher their commission. All products are signed two sets of numbers: Point Value (PV) and Business Volume (BV). **Business Volume** - is a monetary amount assigned to each product. This amount may change as a result of periodic price adjustments. The **Point Value** - is a numerical quantity assigned to each product and is used to determine a Distributor's Performance Incentive percentage. The value of the products they sold is totted up in the form of a Point Value (PV). Thus, selling products with a PV of, say, 100 points could earn an additional commission of 3 per cent of the price at which they bought the products from the company. Or, Rs 30. But raise that level to say, 300 PV- and the additional commission will shoot up to 6 per cent Or Rs.60.

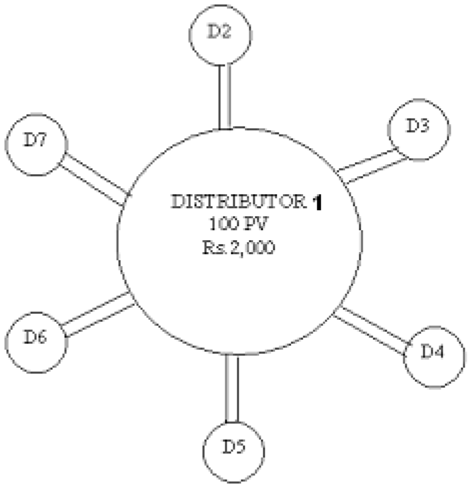
Crucially, however, no distributor is expected to make all these sales on their own. Instead, the MLM system involves them recruiting a second ring of distributors. The benefit? Well, a first-tier distributor who sells products worth 100 PV on their own, and recruits six moredistributors—each of whom sells another 100 PV, or Rs 1,000, worth of products—can actually claim an additional commission equivalent to 700 PV. Or, their own as well as those of their recruits. On their combined sales of Rs 7,000, therefore, their additional commission will ramp up to 9 per cent. Or Rs 630 of course, they have to share some of this with her recruits, each of whom is entitled to an additional commission of 3 per cent their Rs 1,000. However, even after paying out Rs 180 to them, the first distributor is left with a hefty Rs 450 besides their original commission of Rs 30. The logical conclusion: it's more profitable for any distributor to recruit an additional ring around their own hub, with the result that the MLM network will keep expanding.

The margin on each product sold is 25 per cent, but the main income booster is really the number of people a distributor can sponsor, thus netting the percentage income on group turnover. But how does the company gain? First, the compulsion on the part of its distributors to recruit even more distributors will allow its MLM machinery to penetrate ever deeper among consumers. Second, its actual cost of marketing will never exceed 25 per cent of its selling price. After all, the distributor's primary commission is a mark-up on this price without the company having to pay them anything. So, its only outgo to its MLM team is the additional commission, which peaks at 21 per cent, and averages, as global studies of MLM systems show, at 9 per cent. For, all down-the-line commissions are paid for by the distributors themselves out of their own earnings.

The Multi-level Marketing Model

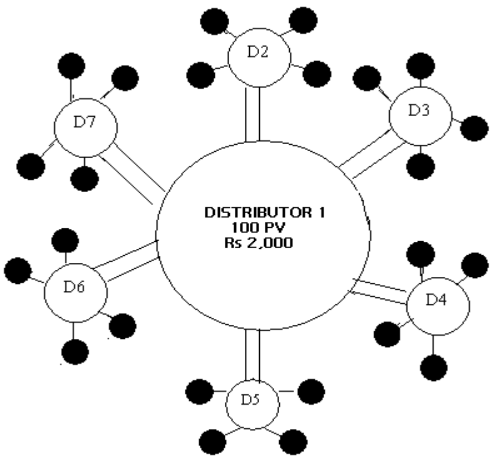


Basic discount (30%):	Rs 600
Performance bonus (3%):	Rs 60
Monthly Income:	Rs 660
Annual Income:	Rs 7,920



Monthly Group PV 700
Monthly Group BV Rs 14,000

Performance bonus (9%):	Rs 1,260
D1 pays:	Rs 360
D1 keeps:	Rs 900
Basic discount:	Rs 600
Monthly Income:	Rs 1,500
Annual Income:	Rs 18,000



Monthly Group PV 3,100
Monthly Group BV Rs 62,000

Performance bonus (18%):	Rs 11,160
D1 pays:	Rs 3,600
D1 keeps:	Rs 7,560
Basic discount:	Rs 600
Monthly Income:	Rs 8,160
Annual income:	Rs 97,920

Figure 2 The MLM Model

The real customer for MLM is not one of the 6 lakh super-rich Indian consumers, who are normally the target for premium products. Instead, the model relies on turning its distributors into customers. Confirms Amway's Robbins: "The best customer is the distributor herself since she buys on wholesale prices and gets the best deal."

So, the focus is on converting the distributor into the customer. The justification, according to Modi Care's Modi: "Only a distributor who is a satisfied customer will be an effective salesperson." No wonder, then, that findings show that the distributors of MLM companies in the US sell, on an average, only 19 per cent of their products to new customers.

The rest of the products are either consumed by the distributor themselves, or sold to other distributors. Hence, far from expanding the company's reach among customers, MLM distributors themselves account for four out of every five consumers. So, while your company may be satisfied with volumes, the drawback is that it may not be growing its market.

16.7 Products of MLM

MLM is a quick, cost-efficient channel for distributing products to customers, bypassing the logistics minefields of the warehouse-depot-distributor-retailer route. If your products include fast-moving consumer goods targeted at niche markets— such as specialist cosmetics or premium fragrances—it could offer a convenient distribution network (see Fig. 3)

Or, if your company's products are portable and need to be demonstrated— hand-held vacuum cleaners or illustrated books, for example—they will gain from the personal interaction between customer and salesperson that MLM offers. But don't expect your MLM model to be successful unless its transactions can deliver greater value to your consumer than making a purchase from a retail outlet.

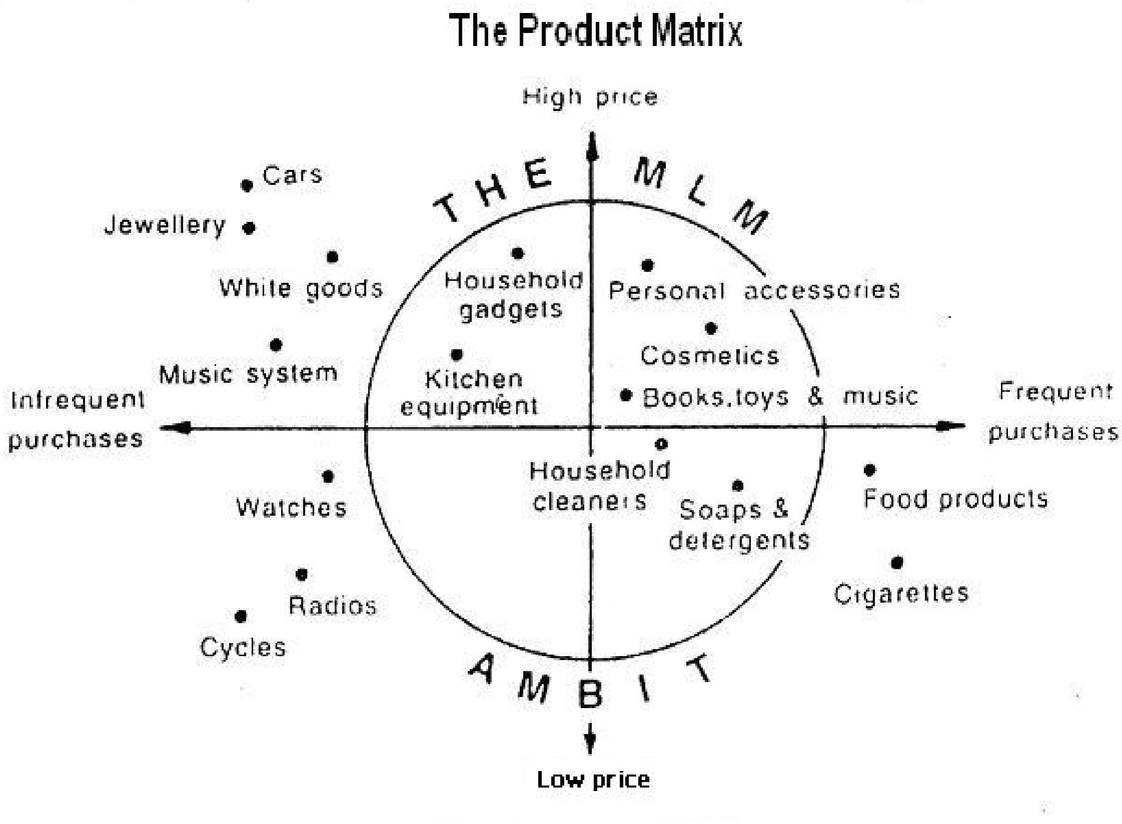


Figure 3 : The Product Matrix

The source of this added value can be either a price discount, or the ability to test the product in the comfort of the home-a perfume, for instance-or the actual environment-kitchen equipment, for example-in which it will be used. The biggest merit of the conventional method of retailing is that the consumer comes to the shop, and has a number of options to choose from. The MLM model does not allow the consumer to really evaluate their options. Unless your product is a novelty, therefore, or unless the customer has developed a close relationship with your brand, don't expect MLM to score over the conventional system.

One strategy to compensate for the lack of choice is to use MLM to sell several products simultaneously. Amway's MLM distributors, for instance, try to sell multipurpose cleaners, floor-care, glass-care and car-care products, laundry detergents, fabric softeners, and personal care products like shampoos simultaneously.

Likewise, Modi Care has lined up an array of detergent powders, fabric-stiffening iron-aids, multi-purpose cleaners, shampoos, toothpastes, mouth-fresheners, and beauty soap. With a target of 10 product lines in five years' time, it plans a portfolio of 1,000 products. On its part, Oriflame will bring in its entire range of 60 products once it goes national.

Products priced too low or too high will not offer the kind of value that the MLM buying experience offers. And while MLM works better for consumer nondurable than for durables, products at the extreme end of the consumption scale, such as food, can't be effectively sold at home. The ideal products: household cleaners and personal care products. Rule out, too, high-value durables like TV sets or air-conditioners, buying which normally involves comparing rival brands before making a choice. However, innovative products—where there are few brands to choose from—which also need demonstrations—like hi-tech home-maintenance cleaning equipment—can find customers through all forms of direct selling, including MLM.

Becoming an MLM distributor is simple and requires no real knowledge of health or nutrition. Many people do so initially in order to buy their own products at a discount. For a small sum of money—these companies sell a distributor kit that includes product literature, sales aids (such as a videotape or audiotape), price lists, order forms, and a detailed instructional manual. Most MLM companies publish a magazine or newsletter containing company news, philosophical essays, product information, success stories, and photographs of top salespeople. The application form is usually a single page that asks only for identifying information.

Distributors can buy products "wholesale," sell them "retail," and recruit other distributors who can do the same. When enough distributors have been enrolled, the recruiter is eligible to collect a percentage of their sales.

The Top Ten Multi-level Marketers :

Company	**Product**
Amway Corporation	Household goods, personal care and nutritional products
Avon Products	Cosmetics, jewellery, home furnishing, baby-care products
Oriflame	Cosmetics
Brite Music Enterprises	Children's song books, cassettes, records
Discovery Toys	Educational toys, books, games
Encyclopedia Britannica	Educational publications
Mary Kay Cosmetics	Cosmetics, skin-care products
Time-Life Books	Educational publications
Tupperware Home	Food-storage containers, kitchenware, children's toys
The Hanover Shoe Inc.	Shoes

16.8 Advantages of MLM

1. Low barriers to entry

MLM is a very egalitarian industry to get into. It doesn't have any pretentious entry requirements, you don't need a college degree, nor do you need any particular experience.

Financially, MLM generally has relatively low set-up costs compared to other small business/franchise start-ups. Actual costs will vary by program.

2. MLM company manufactures and drop-ships the products

You are selling an already manufactured product and the company wills drop-ship the product to your customer. This means you don't need to worry about anything but making the sale.

3. Flexible hours

You can work the hours you choose. If you have a full-time job, you can work your MLM business in the evenings and on weekends. If you're a stay-at-home mom, you can run it when the kids are at school. You can still take vacations and if your child gets sick you can take a day off.

4. Work from home

You don't need a corporate office for this sort of business. You can run it right out of your home.

5. Can be run part-time

Because of the residual income nature of MLM, good money can be made running an MLM business properly only part-time.

6. Residual income

Because you are earning commissions on sales generated by your downline as well as your own sales, you will continue to make an income as long as your downline works hard. Your job as sponsor is to motivate your downline so this actually happens.

7. Pre-existing business and marketing plans

You don't need to come up with your own business or marketing plans. These are taken care of by the company.

8. Pre-existing system

Similarly, you don't need to reinvent the wheel when it comes to systems for recruiting, motivating and training your downline. These are pre-established by the MLM company you are representing. This means you can hit the ground running and start making money quickly.

9. Personal growth and development

The nature of the form of selling you will be doing in this business puts you in contact with many and varied individuals. Over time, your leadership and motivational skills will become ever more finely honed. You will derive a great deal of personal satisfaction from helping others make a success of their businesses.

16.9 Disadvantages of MLM

1. Potential to alienate "Warm Market"

MLM programs generally start by marketing to your so-called "warm market". Your warm market is basically everyone you know: friends, family, colleagues, advisers, teachers, doctor, lawyer, neighbors, acquaintancs etc., Your sponsor will probably ask you to make a list of 200 or so of these people and have you contact each and every one of them about your MLM program. Reactions to such an approach will vary. Close friends and family will probably humor you even if they have no intention whatsoever of joining your program. Others who don't know you well may be dismissive or even downright hostile to your approaches. Some MLMers have reported people crossing the street to avoid them when they see them coming. So you need a thick hide in this business.

And think also about what happens if someone you care about DOES proceed with your program and loses money. Close relationships have been destroyed as a result.

2. Takes effort, energy and motivation

Not only must you actively recruit your own direct downline, you must stay on top of them to ensure that they are actively recruiting and supporting their ownline. Remember, this is the way you make money in this industry. It's all about residual income.

Also, plan to have to motivate yourself. Ideally, you should be being "worked" by your upline to keep you motivated. They, after all, are earning their residual income from you. Not all sponsors are necessarily as diligent as you, however, so don't count on someone above you being there to motivate you. Develop personal motivational habits to keep yourself moving. If your sponsor helps you, that's just bonus.

3. Financial commitment

More likely than not, you will have to commit to purchasing a certain volume of product each month to remain eligible to participate in the program. Be sure you understand your monthly financial commitment going in. And, while you are at it, make sure that what you'll be buying is a quality product that you have a genuine interest in purchasing. If you're just going to stash it away in a cupboard somewhere, look around until you find a product that you actually want and will use.

16.10 Issues in MLM

- Matching Manufacturing volumes to sales is difficult since the MLM system precludes forecasting. The only indicator available is number of distributors. And that number, in a successful MLM effort, will increase too quickly to forecast the sales volume. The result, therefore, will be either big inventories to ensure that there is no supply shortfall. Or long delays in product delivery, which could kill the system.
- Through MLM system only, strong brand equity can not be built. The absence of advertising will limit brand awareness to only those customers the distributors have actually called on.
- And second, with prices and discounts often being arbitrarily extended by sales team to meet their volume targets, the value equation of the brand will be eroded.
- The company will virtually never be in touch with the real consumers of its products since the MLM distributors are its effective customers. Tracking customer tastes, checking their perceptions, and monitoring their satisfaction levels, therefore, will be impossible. And for marketers of consumer products, who must compete with companies who use the conventional root, this lack of contact with the consumer could be dangerous.

16.11 Amway's Direct Selling in India

- **Entry** Amway entered India in 1995 with a 100 per cent subsidiary, Amway India Enterprises, and started commercial operations in 1998. It started with three product lines — home care products, personal care products, and laundry products. Soon, two more categories - nutrition and wellness, and cosmetics -

were added. It started with five products and soon made this 25. It began operations with five offices, and a 50 staff.

- **Growth** Amway had made its foray into basic skin care segment with launch of Artistry Daily Skin Care Systems. It is a technologically advanced series of high-performance products. Amway leads the direct selling market of India with a market share of about 40 per cent.

Amway has started to bring into India more and more of its merchandise, like talcum powder, toothbrush for children, shaving products for men, and cosmetics and mouth spray. Some of the Amway brands here are Persona talcum powder, Time Defiance range of cosmetics and Glister mouth spray. Amway's plans are to launch more products in India under the Amway, and Persona brands.

- **Launches lower priced FMCG as well** The company has launched low-priced FMCG products labeled Great Value Products aimed at tier II & III cities. The new line includes mass categories like coconut oil, hair oil, shaving cream, disposable razors, toothbrushes etc and is priced 20-30 per cent lower than the " existing range. Amway finds that, in India, it makes sense to be available in both premium and mass categories.

- **Nutrition and wellness products do well in recent times** In India, in the past, cosmetics were stealing the show in direct-selling followed by home products. In recent times, however, Nutrition and wellness products (like protein powder and health supplements) have been emerging as a major segment for direct selling. It has been contributing more than 33 per cent of the total turnover of direct selling industry, with homecare contributing around 25 per cent.

- **Operations** Government guidelines in India insist that direct selling companies should either set up manufacturing units of their own in the country or source their products from the small-scale sector. Amway gets its products manufactured by select SSI units in the country. Amway has transferred its state-of-the-art manufacturing and process technologies to these units. It manufactures most of its products for the Indian market through manufacturing partners based in Hyderabad, Baddi, Daman, Chennai and Mumbai. The Baddi facility in Himachal Pradesh is the largest.

- **Distribution/Selling** Amway recruited more than 34,000 sales persons-cum-distributors in the very first year of its operations. The number of distributors now runs into over 300,000. The products are delivered to its distributors across 360 locations through offices in 53 centres, manned by 180 full-time employees. In India, Amway has introduced small packs for some of its products to promote the usage among consumers who are price sensitive.

- **Money Back-Guarantee** The products are backed by a customer satisfaction-cum-money-back guarantee.

- **Multi-Level Marketing/Network Marketing** Amway practices what is known as the multi-level marketing model. This is also known as network marketing. In this model each salesperson-cum-distributor is encouraged to bring in other distributors so that the number of people selling the product keeps on increasing. Amway has created Network 21 for marketing its products. The selected salesperson becomes an independent business owner of Network 21. He gets a kit containing Amway products. He uses the products, spreads the good word about them among friends and tries to rope them into the Network. It provides, on an average, a mark-up of 34 per cent to the sales persons-cum-distributors. The big income for them comes from the Network arrangement. The model is designed to enable the 5 Es of convenient operation:

- Ease of Ordering
- Ease of Delivery
- Ease of Payment
- Ease of Return
- Ease of Information

- **Training** Amway's marketing plan includes workshops, seminars and conventions for training the distributors. In the absence of advertising, Amway resorts to customer education through training sessions of small groups of potential customers.

- **Hamara Apna Business/The Amway Business Opportunity** Amway, like all other direct-sellers, claims credit for promoting individual enterprise through its direct selling. It calls the Endeavour Hamara Apna Business. It generates employment for housewives. Nearly 70 per cent of its distributors are women who prefer to work part time.

- **The problems** Amway's Indian venture does face some problems.
  - Price is one major problem inhibiting larger sales. These products are quite expensive according to Indian standards. The market segment that can afford the range is not large.
  - Distributors becoming inactive are the other major problem. While Amway has established a very large number of distributors in the country, a good many of them are inactive.
  - Another problem is that Amway supplies the cosmetics in concentrated form and asks the consumer to dilute them before use. Quite a few consumers find this inconvenient.
  - The most important problem relates to image. In India, a lot of people are uncomfortable with the philosophy underlying MLM. While other MLM outfits too have this problem, Amway, being the leader, suffers it more.

The Amway Opportunity works in two-fold. Giving you a chance to build your own business at your pace and achieve the rewards and recognition linked to the plan, and at the same time helping other people do the Same.

Performance Bonus and Award Schedule are based on retailing of Amway Products which are as under:

If you along with your Group sell Amway products equivalent to Business Volume (BV) (Business Volume (BV) is equal to the Distributor Acquisition Price (DAP) of Amway Products minus Taxes)	Your Group Total Points would be Point Value (PV) for Amway Products purchased (Point Volume (PV) : Every Amway product has denominated points which you get upon purchasing Amway products for sale)	This purchase of Amway products for sale will make you and your Group entitled to volume based discount/commission on Business Volume
13,500	300	6%
45,000	1,000	9%
90,000	2,000	12%
180,000	4,000	15%
315,000	7,000	18%
450,000	10,000	21%

Current PV:BV ratio is 1 PV= 45 BV

Example 1: Since Amway Business Model is based on retailing of products, let's take a simple example of how you can reach a first performance bonus level of 6% i.e. 300 PV as a starting point. On an average a normal family (4 members) would require products equivalent to 100 PV per month. Let's presume that you have 2 or 3 friends, who are interested in buying Amway products and you make them your customers. So in order to meet the monthly requirements of your own along with your friends you can easily sell products worth 300 PV.

What's your earning

300 PV	=	13,500 BV
Retail Profit Margin (A)	=	20% of Rs 13,500
	=	Rs 2,700
Additional Discount/	=	6%* % 13,500
Commission (B)	=	Rs 810
Grand Total (A+B)	=	Rs 3,510

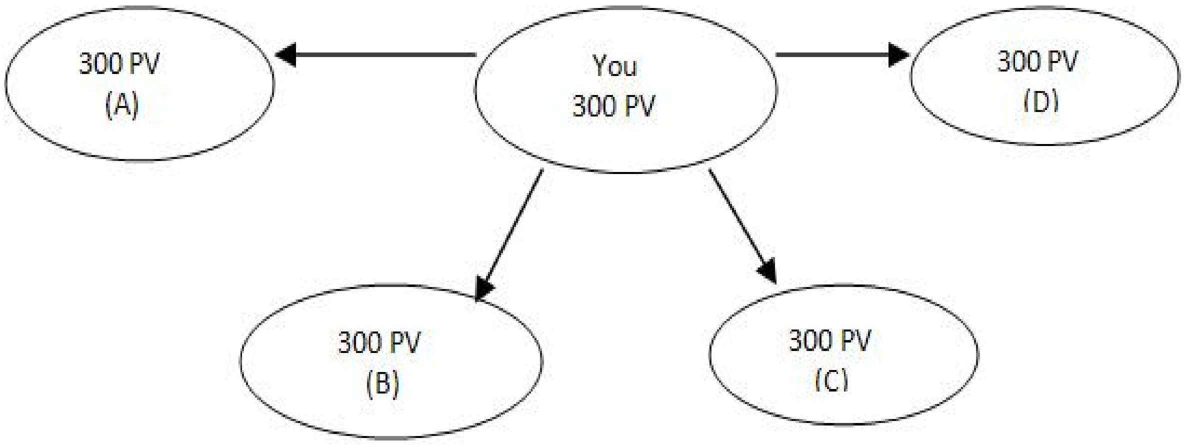
*(6% is commission payable at first slab level of 300 PV)

Above is a simple example wherein only 2 or 3 customers have been assumed. In real life it is easier to get far more than 2 or 3 customers, thus increasing the scope of your earning.

Example 2:

Growth of business by building a sales force

Let us now take another example of you having sponsored 4 people as Amway Business Owners and each of you doing a business of 300 PV i.e. purchasing Amway products worth BV of 13,500.



Total sales turnover of the group is 67,500 BV	=	1,500 PV
Total performance bonus earned by group is 9% of 67,500	=	Rs 6,075 (X)
Performance bonus paid to yourDownlines A,B,C & D	=	Rs 3,240 (Y)
6% of Rs 54,000 (turnover of downlines)		
Bonus paid to you (X-Y)	=	Rs 2,835
Add retail profit margin on your Personal volume 20% of 13,500	=	Rs 2,700
Your total earning for the month	=	**2,700 + 2,835**
	=	**Rs 5,535**

16.12 Summary

A multi-level marketing arrangement, also called an MLM, is set up by a parent company that sells a product or service. The parent company is responsible for producing, supporting and disseminating the product or service. The main difference between an MLM company and a regular company is the advertising technique. Regular companies get the word out about their products and services through advertising campaigns using radio, television, and billboards. MLM companies choose to save money on advertising by using independent representatives to get the word out about their product offerings.

The key players in a multi-level marketing organization are the independent representatives. These independent representatives pay to become resellers for the parent company. They are considered independent contractors who work for themselves. The main two goals of an independent representative are to 1) bring new independent representatives into the business and 2) sell the products or services being sold by the parent company to friends, family, and associates. Advantages of MLM as a business model are: (i) Low Barriers to Entry (ii) MLM Company Manufactures and Drop-Ships the Products (iii) Flexible Hours (iv) Work from Home (v) Can be run Part-Time (vi) Residual Income (vii) Pre-Existing Business and Marketing Plans (viii) Pre-Existing System (ix) Personal Growth and Development. Disadvantages of MLM as a business model are: (i) Potential to Alienate "Warm Market" (ii) Takes Effort, Energy and Motivation (iii) Financial Commitment. Amway, like all other direct-sellers, claims credit for promoting individual enterprise through its direct selling. It calls the Endeavour Hamara Apna Business. It generates employment for housewives. Nearly 70 per cent of its distributors are women who prefer to work part time.

16.13 Key Words

- **MLM :** Multi-level-marketing is executed through a multi-layered distributor channel where payments by the company are made differently to the distributors according to the level they fall in.
- **Unique selling proposition:** USP makes the consumer identify the brand with a particular benefit.
- **Independent distributors:** Independent, unsalaried salespeople of multi-level marketing, referred to as distributors (or associates, independent business owners, dealers, franchise owners, etc.), represent the company that produces the products or provides the services they sell.
- **Business Volume:** It is a monetary amount assigned to each product. This amount may change as a result of periodic price adjustments.
- **Point Value:** It is a numerical quantity assigned to each product and is used to determine a Distributor's Performance Incentive percentage.
- **Warm Market:** warm market is basically everyone you know: friends, family, colleagues, advisers, teachers, doctor, lawyer, neighbors, acquaintances.

16.13 Self Assessment Test

1. What do you understand by MLM? Explain the USP and features of MLM
2. Discuss the model of MLM.
3. Give the top five advantages of MLM business opportunities.
4. Describe the process of MLM with the help of example.
5. What kinds of products are best suited for MLM?
6. Explain advantages of MLM as a business model.
7. Identify the disadvantages of MLM as a business model.
8. Who is the ideal customer for products using the MLM system?

Unit - 17 : Consumerism

Unit Structure

17.0 Objectives

After studying this unit you should be able to undertand:

- The concept of Consumerism
- The Aims of Consumerism
- Areas of Consumerism
- Agencies for Ensuring Consumer Protection
- New Avensues of Consumer Oriented Marketing

17.1 Introduction

The term consumerism was first coined by businessmen in the mid-1960s as they thought consumer movement as another "ism" like socialism and communism threatening capitalism. It is a socialmovement which seeks to protect and augment the rights of the consumer in relation to the producer. While the producer has the power or the right to design the product, distribute, advertise and price it, the consumer has only the power of not buying it. One may argue that the producer runs the greater risk inspite of having several rights because the veto power remains with the consumer. However, the consumer often feels that while he has the power of veto, he is not always fully equipped to exercise that power in his best interests. This situation may be the result of lack of information, too much indigestible information or even misinformation from one or several competing producers. This problem facing the consumer has led to 'Consumerism.' It is worthwhile to note that consumerism like several other social movements e.g. Suffragette movement, Independence movement, Civil Rights movement etc. has been the result of a social conflict and cannot therefore be wished away. It will be with us till the conflict facing the consumer is resolved.

Consumerism is defined as social force designed to protect consumer interests in the marketplace by organising consumer pressures on business. Consumer organisations could provide united and organised efforts to fight against unfair marketing practices and to secure consumer protection. The balance of power in the marketplace usually lies with the seller. Consumerism is society's attempt to redress this imbalance in the exchange transactions between sellers and buyers.

Consumerism challenges the very basis of the marketing concept. Can a free market economy based on competition respond to the rightful public demands? Is there an inherent defect in the market mechanism? Should that defect be corrected by political means, *i.e.*, consumer legislation and government regulations.

According to Peter F. Drucker consumerism challenges four important premises of the marketing concept :

(1) It is assumed that consumers know their needs.

(2) It is assumed that business really cares about those needs and knows exactly how to find about them.

(3) It is assumed that business does provide useful information that precisely matches product to needs.

(4) It is presumed that products and services really fulfil customer expectations as well as business promises.

17.2 Evolution of Consumerism

(a) In the West: In the West, Consumerism has emerged after the countries concerned reached a level of affluence which is characteristic of what may be called the post-industrial society. There was adequate production and distribution of essential as well as luxury products. Under these circumstances the objectives of consumerism were to seek more information about the merits of competing products and services and to represent the collective views of consumers in order to influence the producers.

As a result the consumer movement in the West has resulted in greater concern for the claims being made by producers about their sophisticated products and in evaluation of alternative products and services available to the consumer.

Like most social phenomena, occasionally a spark or an individual can bring matters to a head as it happened with the thalidomide case and pharmaceutical companies or the Corvair car and automobile industry. But the basic undercurrent is the concern for more accurate information and security, especially about newer and more sophisticated products.

(b) In India: In India the basic reasons for the origin of consumerism have been quite different as compared to the West, as outlined below:

(i) It was the shortage of essential consumer products and the inflation of early 1973-74 that gave a flip to the consumer movement. It was not because the consumer was confronted with an abundance of products. He encountered shortages, adulteration and black market prices.

(ii) Indian industry by and large has not achieved the level of affluence in technology or advertising to provide the range of alternative products and claims. It has largely been a market of shortages or high prices, although there are exceptions.

(iii) The Indian housewife has tended to be a more discriminating customer than her Western counter-part because (a) she has less money for discretionary spending, and (b) she has more time to compare and decide on her purchases. Therefore, she is not easily taken in by appeals to impuleses and desires.

As a result the thrust of the Consumer Movement in India has been on availability, purity and pricing of essential articles. Since the vast majority of consumers in India have to keep a precarious balance between income and expenditure the need to protect the interests of the consumer in these directions will assume greater significance. Therefore, consumerism has to be accepted as an enduring phenomenon in our country.

Like other social phenomena, consumerism also will pass thorugh a process of evolution. The first phase in the West was one of protests and investigations. In India too there has been an element of protest and militanch although not on the same scale as in the West because (a) the origin of Consumerism in India has been related to shortages and inflation, and (b) the Government have been very responsive to consumer needs and have taken legislative action.

The second phase is that of tightening implementation of existing legislation and increasing the scope of legislation. We are currently going through this phase with the Weights and Measures Act, Packaged Commodities Order, etc. The only point to be noted about legislation is that we should moderate our enthusiasm to copy more legislation from Western countries. For instance, it is far more important in India to enforce existing legislation with regard to adulteration of food, edible oils and other essential items used by the poorer sections than to be passing more legislation which applies mainly to the products used by the urban elite.

The third phase which is the one we have to prepare for and is the most important, is that of cooperative response from industry. Consumerism can be effective only with positive and responsible reaction from industry because legislation by itself can only provide a framework. For industry to provide such a response it is necessary for Government to realise some of the issues facing manufacturers and to help in solving them. On the other hand, industry has to realise that it can survive in the long term only by meeting the aspirations of the consumer.

17.3 Aims of Consumerism

Consumerism is a protest of consumers against unfair business practices and business injustices. It aims to remove those injustices and eliminate those unfair marketing practices; *e.g.* misbranding, spurious products, unsafe products, planned obsolescene, adulteration, fictitious pricing, deceptive packaging, misleading advertisements, defective warranties, hoarding, profiteering, blackmarketing etc.

17.4 Areas of Consumerism

Consumerism covers the following areas of consumer dissatisfaction and remedial efforts :

(1) Removal or reduction of discontent and dissatisfaction generated in the exchange relationships between buyers and sellers in the market. The marketing activities of the selling firms must ensure consumer satisfaction which is the core of marketing concept. Marketing practices and policies are the main targets of consumerism.

(2) Consumerism is interested in protecting consumers from any organisation with which there is an exchange relationship. Hence consumer dissonance post purchase anxiety and doubt and remedial effort can develop from consumer's relations not only with profit seeking organisations but also with non-profit organisations *e.g.,* hospitals, schools, government agencies, etc.

(3) Modern consumerism also takes keen interests in environmental matters affecting the quality of life.Consumerism is the public demand both for refinement in marketing practices to make them

more informative, more responsive, more sincere, more truthful and more efficient, and for a new concern with factors other than privately consumed goods and services that determine the quality of life. Often the new growing interest for the good life translates itself into demand for more public goods and services such as better highways, more education, better airports, better transport, crime-free cities, better environmental conditions conservation fo natural resources elements of pollution and so on. Thus, consumerism represents vital aspects of socially responsible marketing.

The social demand that marketing deliver a rising standard of living to those who want as well as better and enriched quality of life (environment) for *all citizens* will inspire marketers to make greater progress in enhancing marketing efficiency and honouring ethical and moral values in promotion and pricing.

17.5 Need for Consumer Protection

The idea of consumer supremacy and consumer sovereignty is still a dream in today's free market economy. The manufacturer or the seller is dominant and his voice is all powerful. His interests normally prevail over the welfare of the consumer.

The root cause of consumer movement or consumerism is consumer dissonance, as it has been so nicely termed. Dissonance means after purchase doubts, dissatisfaction, disillusion, disappointment do exist. These are the sentiments of all dethroned sovereigns. The apparatus of consumer protection alone can give necessary strength to consumers in the market and restore the balance in the buyer - seller relationship. Basically consumers are demanding four rights from the company : safety of products, full and accurate information about products and services (without which some articles may not be usable and may produce sales resistance), a choice, and a voice (redress). Growth of consumer movement was a proof that business had not been practising the marketing concept but merely paying it *lip sympathy.* Drucker revealed that consumerism is *"Product-oriented marketing."* Consumer protection or consumerism will be redundant if business sincerely practises marketing concept, *viz.*, customer-oriented marketing philosophy. Kotler is one of the few marketing theorists to see that consumerism is the ultimate expression of the marketing concept because it forces product managers and marketers to look at things from consumer's point of view. In other words the pressure of consumer protection really presents opportunities not challenges which if seized upon by the marketers, can provide additional strength to their marketing effort. Marketers should realise that only satisfied customers are the best business assets and they should not spare any efforts in obtaining as many as possible. This is the underlying spirit of marketing concept and if such a policy is executed not only in letter but also in spirit, there is no reason to have any additional constraint like consumerism or legislation.

Marketing is becoming increasingly impersonal. Consumer choice is influenced by mass advertising using highly developed arts of persuasion. The consumer typically cannot know whether drug preparations meet minimum standards of safety, quality and efficacy. He usually does not know how much he pays for consumer credit; whether one prepared food has more nutritional value than others; whether the performance of a product will in fact meet his needs and expectations; or whether the "large economy size" is really a bargain. Hence, we need consumer protection.

1. We need physical protection of the consumer, for instance, protection against products that are unsafe or endanger health and welfare of consumer.
2. We need protection of the consumer against deceptive and unfair trade practices. Consumer must have adequate rights and means of redress against business malpractices and frauds.
3. Ecological and environmental effects of chemical, fertiliser or refinery complexes will have to be

seriously considered because they pollute water, air and food and endanger human life. Consumer wants due protection against all types of pollution; he wants enriched quality of life-a beautiful, healthy and peaceful environment free from pollution.

4. We must have adequate protection of consumer public against the abuse of monopoly position and/ or restrictive trade practices. *Protection delayed is protection denied.*

Greater and free competition in the market is of definite advantage to the consumer. Competition can reduce prices, enhance quality and stimulate innovation in product mix and marketing mix. Innovation means progress and progress means life, a prosperous life. Competition is the dispenser of justice to the consumer and producer.

Consumer seeks protection, advice and information when his rights are adversely affected. The shift from *buyer beware to seller beware* has increased the role of Government in promoting the consumer's right to safety, the right to be informed the right to choose, the right to be heard, the right to redress and right to represent. These consumer rights consitute *Consumer Bill of Rights.* In 1962, President John F. in his consumer message, summed up these rights of consumer and paved the way for organised consumerism in the U.S.A. and all over the world. The programme for protection of consumer interest as outlined by J.F. Kenedy in 1962 placed unique importance upon consumerism.

In marketing and economics we say, consumers are the king. They are supposed to direct and control all economic activities, but the reality is a far away from this in India. The reasons are many :

(a) Some products, some of which are of strategic importance, are short in supply. Producers exploit the consumer as in the situation of excess demand, supplier and not the consumer becomes the king in the market. Trading in such products gives rise black market and hoarding.

(b) In certain products, even if there is no actual shortage, marketers due to oligopoly (market with few sellers) and monopoly (market with one seller), create an artificial shortage by restricting the output so that they are able to push up the price. Under such conditions consumers often get products paying a high price for a low quality.

(c) Ignorant and uneducated consumers. Lack of education has spilled its ill effect on every sphere of the society, including in cosumption. Consumers are ignorant and uneducated about the market conditions and the availability of products. It is really unfortunate when the so called educated people turn out to be ignorant consumers. In India, there is no dearthof such cases.

(d) People are very scared of the legal procedures. Police and Court are two apprehensive terms for the people. Many consumers, to avoid legal action, will not exercise their rights. People are unaware of the simple procedures under the Consumer Protection Act.

(e) Last but not the least, India is a country of poor and low middle class income people. Most of them are running for their "bread and butter" and consider raising voice against injustice towards them from the market or government institution, a time wasting activity, and people think they cannot afford the luxury of such activities. This needs an attitudinal change, and consumerism can go a long way in achieving such attitudinal change.

All these points that there is a real need to have a good and effective "Consumer Protection". Such a protection will go a long way to build a healthy economy. A strong market is made up by strong supply and demand side. Consumer protection, which is the core of consumerism alone, can give necessary strength to the demand side in the market, which is generally biased in favour of the supplier.

To strike a balance in the buyer-seller relation, "consumer protection" plays an important role.

To have an effectieve consumer protection, a practical response on the part of three parties, viz., the business, the government and the consumers, is essential. Firstly, the business, comprising the producers and all the elements of the distribution channels, all have to give due importance and regard to consumer rights. The producer has an inescapable responsibility to ensure efficiency in production and quality of output. Producers are always tempted to charge "exploitative price" that should be resisted, especially when the product is of high importance and relatively low supply. In other words, if it is a seller's market, a socially responsible producer should see that product reaches the consumer whithin a reasonable time and at a resonable price, i.e., products should not be hoarded and black marketed. As the vetern business executive, Mr. T. Thomas observes. "Restraint is best exercised voluntarily than through legislation, which will, otherwise, become inevitable. Advertising agencies and marketing management have a very important role to play in this respect. By overplaying the claims, they will be cutting the very branch on which they are perched." (From the speech delivered at the 44th AGM of HLL in 1977).

Secondly, the government has to come to the rescue of the "helpless" consumer by preventing him from being misled, duped, cheated and exploited. The motive of private gain tempts business to maximize income by socially undesirable trade practices. These are calls for government intervention. Statutory action, to protect the interests of consumers have become guite common everywhere in the world. The most common example of government's intervention to protect consumer's interest is policy of price cycling in the case of house rent, kerosene., etc.

Thirdly, consumers themselves should accept consumerism as a means of asserting and enjoying their rights. This brings us to the next important issue in consumerism- “Consumers’s Rights”.

Voluntary Regulation

There is no substitute for voluntary regulation. Statutory regulation is the crudest form as well as a last resort to secure a disciplined business conduct. Enduring and positive improvements in business practices can be brought about by the businessmen themselves and these changes should be based on the inner will or desire rather than from external force or discipline. In India till 1985, consumerism was most often regarded by businessmen as a passing threat to be opposed at every turn by denying the seriousness of the charges and by taking shelter behind the ideology of Free Trade. Such approaches gave way to defensive responses and fighting rearguard actions which one can never win and in which one can only lose more and more. It would be more constructive to regard consumerism as an opportunity and not an obstacle. The need for information can be satisfied by more informative labelling. Non-returnable containers are the causes of pollution. The manufacturer can offer returnable containers. Packaging waste can be removed by providing reusable packages through recycling.

17.6 Consumer Bill of Rights

1. **The Right to Protection of Health and Sefety;** It is the right to be protected against products, processes and services which are hazardous to health or life. This includes concern for consumer's long-term interests, not only their immediate desires. (*Shreyas* not merely *preyas* goods and services).

Products should not cause any physical danger to consumers or put them in difficulty due to sudden failure. Consumer must have assurance regarding quality, reliability and performance. There are so many common household items now available to consumers containing potentially harmful substances. Food additives, food colouring and pesticides further add new potential dangers.

In the case of food and drugs, we need safety to consumers. In many sophisticated products, *e.g.*, toys, appliances, flammable fabrics, etc., we need considerable safety. Fortunately, the recent trend in legislation for consumer safety shows a continuous shift in emphasis from consumer-buyer responsibility to seller-trader responsibility for a damages and losses arising out of unsafe and dangerous products. Food and Drug Acts now hold the seller responsible for product safety with the advance of science and technology consumer products have become highly complex and intricate. In many instances, responsibility for safety of finished products is directly placed on producers and distributors. Legislation to achieve consumer protection against unsafe products is only the first step. Equally important is vigorous and sincere imaginative *enforcement* of law by adequately staffed agencies.

By misleading advertisment consumer are led to expect higher performance levels than the product can deliver. For instance, Zippers jam, food products are adulterated wash and wear clothes need ironing appliances do not perform as advertised, cosmetics fail to fulfil even the minimum expectations, etc. Not only is the products quality poor but also after-sale service is deplorable. In all these respects, consumers hava a right of reasonable protection.

2. Right to be Informed: The right to be informed is a fundamental economic interest of the consumers. Consumers demand positive obligation of full disclosure to be placed on the manufacture and dealer. We must have adequate, accurate and up-to-date factual information on the quality, performance and other vital characteristics of products. Consumers information gap is a cause of consumerism.

Full information will enable consumers to exercise intelligently their decision to buy before they part with their money in exchange of goods. The consumer must be protected against fraud. The establishment of standard weights and measures, truth in labelling and packaging, performance testing in drugs, grade labelling, teltags (informative labels), standardisation, total quality management (ISO certification) and so on will help consumers to get reliable protection and information. Consumer must have all facts needed to make informed choices. We have frequently inadequate and misleading information, deceptive advertising, deceptive packaging and labelling, misleading warranties, scanty information on product contents, and operating instructions or care of the products, collusive pricing, deceptive credit terms, etc. The trader takes undue advantage of consumer ignorance and he is deceived as to quality, quantity, price, weight, size and any other factor involved in buying. Once the right of information is legally recognised many of the aforesaid malpractices will be reduced to the minimum. A consumer should be enabled to make an informed choice.

The seller should ensure that his advertisements mean what they say and they say what they really mean. Unfortunately, such sincere sellers are rare in the market. Advertising causes us to buy goods we do not want, at prices we cannot pay, and on terms we cannot meet. Want of objective information is a great obstacle in consumer satisfaction and many a time, they have a bad bargain. A house-wife buys what is sold to her. It is packaged. She buys it on good faith. This is why the word consumer is spelled 'sucker', *i.e.,* simpleton.

3. Right to Choose : A consumer should be assured to choose from a variety of products and services at competitive prices. In the case of monopolies, consumer should have an assurance of satifactory quality and service at a fair price.

Right to choose implies that monopoly is disliked by consumers. They want to buy a product on their free will. They want to exercise their opinion to choose a particular brand or to decide about the quality. If the market has enough qualities and varieties of products at competitive prices, buyers have an opportunity of wise selection. Collusion among sellers, price fixing understanding among leading competitors, cartel movement, etc. cannot give wider choice to consumers. Competition assures consumers the right to choose. Competition and consumer leagislation provide ample protection for the consumer. More efficient information system will enable consumers to make a satisfactory choice. Competition provides wider choice of goods and services. Consumer legislation and Government regulations provide official information system to make a wise selection of best bargain.

4. **Right to be Heard :** Consumer has a right to register dissatisfaction and get his complaint heard. Even if consumers have the right to safety, to be informed and to choose, but do not enjoy the right to be heard, there would be no real control on the other three rights. If this right to be heard is denied to consumers, there would be nobody to listen to their complaints and the very purpose of granting them other rights would be simply defeated. The right to be heard implies the existence of a framework and Government intervention to safe guard consumer interest. Many business firms are utterly indifferent to consumer grievances and protests. Manufacturer must have information feedback in all marketing communications. In the formulation of economic policies and their implementation, consumer unions must have their representation and voice.

5. **The Right to Seek Redressal :** It means right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers. This is the right to expect every product to perform as advertised when it is used as directed. If the performance and quality be short of expectations, a consumer has a right of redress. The product must be repaired, replaced or taken by the seller. Warranties such as money back guarantee, if dissatisfied must be meaningful. Then only consumers will have confidence in the seller. The right to redress will reduce cognitive dissonance or post - purchase doubts and grievances.

In fact, the right to be heard further implies the existence of a mechanism through which other rights can be asserted. In particular, by ensuring the right of redressal (to set right or rectify) of legitimate consumer grievances. The consumer adviser or ombudsman (*Lokayukta*) and the Government authorities often receive complaines and attempt to resolve them. If we have a standing grievance machinery for listening to the complains of consumers and for the settlement of their grievances, consumer relations with the busines will be very cordial and harmonious. Such a bridge of understanding or communication is necessary for assuring consumer protection. A business firm should have a consumer affairs department to receive customer complaints and problems and to resolve them amicably. The new department should be directly attached to the top management.

6. **The Right to Consumers' Education:** It means the right of acquiring the knowledge and skills to be a well-informed consumer throughout his or her life.

7. **The Right to Basic Needs:** It means that the availability of articles which are the basic needs of every consumer must be assured. Our basic needs are drinking water, good food articles, pure air, adequate transport, electricity, health and education services.

8. **The Right to Secure Ecological Balance :** Consumer citizens demand conservation of natural non-renewable resources, preservation of natural beauty and healthy environment. This right has been recently added to the consumer bill of rights thereby enlarging considerably the scope and significance of modern consumerism. Indeed, consumerism is now defined more broadly as an organised expression for an *improved quality of life.* Phosphates from detergents can degrade the physical environment. The environmental problems do affect the life of all living beings. Air pollution, water pollution, food pollution, and noise pollution are the legacies of reckless industrialisation. The social costs of the aforersaid forms of pollution are at the cost of social benefits. Please note that each form of pollution destroys the social benefits already existing. Industry is directly responsible for many forms of pollution. Investment decisions of industry, *e.g.*, chemical and fertilizer complex, refineries, etc., must ensure quality of community life by preventing or reducing the evil effects of air, water, food and noise pollution. All citizens and also other living creatures on the Mother Earth must have protection against environmental dangers (due to industrialisation) over which

the individual has no control. Sustained economic development without ecological imbalances must take place.

The above rights have been complied by the International Organisation of Consumer Unions. But rights and responsibilities being the two faces of the same coin, the IOCU has also drafted certain consumer responsibilities which are as follows :

(a) **Critical Awareness :-** To be alert and questioning about the goods and services they use.

(b) **Action :-** To act on fair and just demands.

(c) **Social Responsibility :-** Consumers must be concerned about the impact of their consumption behaviour on other citizens, particularly on disadvantaged groups in the local, national or international community.

(d) **Environmental Awareness :-** To be sensitive about what their consumption of goods does to the environment and not waste scarce natural resources of pollute the earth.

(e) **Solidarity :-** To act together through the formulation of consumer groups which have the strength and influence to promote consumer interests.

Over the last 3 to 4 years, in fact, ever since the consumer forum under the Consumer Protection Act became functional, consumers have become aware about their rights and how these can be exercised. But, on the other hand the Indian consumer does not want to observe and fulfull responsililities. He is especially apathetic about his social responsibilities (*e.g.*, indulging in conspicuous consumption of luxuries), environmental awareness (*e.g.*, slave to the disposable culture) and consumer solidarity (all I'm intersted is in solving my own personal problem syndrome). What the Indian consumer fails to realise is that it is this very lack of solidarity that results in his large scale exploitation. The more solidarity there is, less will be the need to approach consumer forum for redressal. Solidarity can lead to more representation on departmental bodies that can take care of various consumer problems. Solidarity can lead to policy changes benefiting consumers and much more. The prime concern of the consumer movement is to prevent or minimise consumers' exploitation and not maximise litigation.

In the present scenario, consumers' policy issues no longer remain national and local issues. With the government opening its doors to international business interests, consumer issues too need to be studied and understood in the international context. Third world countries have already suffered from the policy of 'dumping' of drugs banned in Europe and the West and is further likely to suffer from the effects of the transfer of absolete or worn-out technologies into the country. Consumer solidarity gains extreme importance at such a time.

The United Nations has adopted a set of general guidelines for consumer protection. These cover seven areas:

(1) Physical safety.

(2) Promotion and protection of consumer's economic interests.

(3) Standards for the safety and quality of consumer goods.

(4) Distribution facilities for essential consumer goods and services.

(5) Measures enabling consumers to obtain redress.

(6) Education and information programmes.

(7) Measures relating to specific areas (food, water and pharmaceuticals).

The purpose of these guidelines was well described by the United Nations Secretary General in his 1983 report - 'The draft guidelines represent an initial attempt to create an international framework within which national consumer protection policies and measures can be worked out. They are also intended to assist the international community in its consideration of the question of consumer protection policy and to further international co-operation in this field.

17.7 Agencies for Consumer Protection

After evaluating the scope, need and significance of consumer protection, let us now deal with the alternative ways and means of securing reasonable consumer protection.

There are three agencies for ensuring consumer protection:

1. Self-help, *i.e.*, consumer organisation itself

2. Business, by self-regulation and by giving a fair deal to the resellers and consumers.

3. Government, by having special Acts and implementing those laws strictly. Mere legislation is not enough. More important is their enforcement not only in letter but also in spirit. The legislation ensures competition, provision of information to buyers, and regulation of unfair trade practices.

The consumer interest in the market place is the focus or the heart of enligthened marketing mix. The business and consumerism both aim at the protection of consumer business through self-regulation and consumerism through self-help. Consumerism invokes Government assistance when business misbehaves and fails to fulfil social responsibilities.

In exchange relationship normally, we have only two parties : (1) seller, and (2) buyer, However, in the modern market, the seller is organised and has professional skill, whereas the buyer is usually unorganised and amateur. Hence, we need consumer legislation and consumerism.

If business morality is high and if ethical and moral values are at a premium, there is no reason why self-regulation by traders and their associations should fail to give meaningful guarantee or money back to consumers. In reality, the problem of consumer protection is bilateral. (1) Organised consumer movement inducing consumers to take intelligent interest in consumer demcracy, and (2) Self-regulation and self-discipline by producers and traders. Government intervention takes place only to protect the weaker party (consumer) in the market and to prevent exploitation by the stronger party (businessmen).

Please note that consumer legislation is a rough substitute for self-regulation of business. It appears as a last resort, when consumerism is recognised as a shame of marketing. Consumer legislation offers insurance against business malpractices and ensures distributive justice to amateur consumers.

18.7.1 Consumer Expectations and Desired Satisfactions

It is virtually impossible to achieve the task of pleasing all of the people all the time when we have millions of consumers having tremendous variety of desired satisfactions and expectations. Some dissatisfaction is inherent in any mass-production/mass-consumption system. Some discontent may be the price of freedom of choice. However, it cannot be denied that there is the basis for evergrowing consumer dissatisfaction and consumerism. Marketing management has the direct responsibility to find out areas in which company's products and services fail to fulfil consumer needs and expectations and to initiate vigorously marketing programmes to provide desired satisfactions explicitly demanded by consumerism. The new view of marketing is that this opportunity is also a social responsibility. Consumer and social viewpoints constitute the public environment of the business enterprises. Management must respond to these viewpoints positively and adapt itself to the dynamic needs and expectations of the community. The easiest and most urgent step that marketing management can take will be the adoption of more acceptable ethics and business morality while offering marketing mix to costomers. Similarly, it can take immediate and intelligent efforts to improve marketing efficiency and thereby reduce the cost of distribution appreciably.

17.7.2 The Consumer Protection Act, 1986

The Consumer Protection Act, 1986 provides for better protection of the rights and interests of consumers. The Act made provision for the establishment of proper machinery for the speedy settlement of consumer disputes and redressal of grievances.

Under the Act, we have quasi-judicial machinery at three levels:

1. Consumer Disputes Redressal Forum at the District Level.
2. Consumer Disputes Redressal Commission at the State Level.
3. National Consumer Redressal Commission at the National Level. "Complainant" means-
   - (i) a consumer, or
   - (ii) any voluntary consumer association registered under the Companies Act, 1956 or under any other law for the time being in force, or
   - (iii) the Central Government or any State Government, who or which makes a complaint;

"Complaint" means any allegation in writing made by a complainant that -

- (i) an unfair trade practice or a restrictive trade practice has been adopted by any trader;
- (ii) the goods bought by him or agreed to be bought by him suffer from one or more defects;
- (iii) the services hired or availed of or agreed to be hired or availed of by him suffer from deficiency in any respect;

(iv) a trader has charged for the goods mentioned in the complaint a price in excess of the price fixed by or under any law for the time being in force or displayed on the goods or any package containing such goods with a view to obtaining any relief provided by or under this Act;

"Consumer" means any person who -

buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose.

"Defect" means any fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard which is required to be maintained by or under any law for the time being in force under any contract, express or implied or as is claimed by the trader in any manner whatsoever in relation to any goods.

"Deficiency" means a fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by under any law for the time being in force or has been undertaken to be performed by or person in pursuance of a contract or otherwise in relation to any service.

Redress Process

(1) Send a copy of such complaint to the opposite party directing him to give his reply within a reasonable time.

(2) If no reply is received from the opposite party or no action is taken within the time given, the Forum shall settle the dispute on the basis of evidence given by the complainant.

(3) No proceedings explained in sub-clause (1) and (2) shall be questioned in a court on the ground of natural justice.

(4) The Forum in trying a suit shall have the same powers of a civil court and its proceedings shall be on par with judicial proceedings.

17.7.3 Finding of The District Forum

If, after the proceeding conducted under Section 13, the District Forum is satisfied that the goods complained against suffer from any of the defects specified in the complaint or that any of the allegations contained in the complaint about the services are proved, it shall issue an order to the opposite party directing him to [do] one or more of the following things, namely:

(a) to remove the defect pointed out by the appropriate laboratory from the goods in question.

(b) to replace the goods with new goods of similar description.

(c) to pay a certain sum as compensation for the loss suffered by the complainant,

(d) to return the complainant the price or charges paid by the complainant or both.

Any party, aggrieved by the Forum's Order, may file an appeal to the Consumer Disputes Redressal Commission within one month of the Order. The State Commission has a judge of the High Court and two other members. The procedure followed by the State Commission is similar as given above.

Any person aggrieved by the Order of the State Commission can appeal to the National commission within one month of the Order of the State Commission.

Notes: 1. The Consumer Protection Act has given full recognition to the consumer rights. We have already described those rights. The Act protects and promotes those famous rights. Thus, Indian consumers now enjoy protection against unfair trade practices, or unscrupulous exploitation marketers.

2. District Forum can give compensation to the victimised consumer up to 5 lakhs and the State Commission up to Rs. 20 lakhs.

Consumer Disputes Redressal Forum (District Forum)

The forum is established by the state government in each district by notification. The district forum consists of a person who is qualified to be the judge ofa district court, and two other members one of whom shall be a lady social worker. Every member shall have the tenure of 5 years with age limit of 65 years. The District Forum shall have jurisdiction to entertain complaints (1) Where the value of goods or services and compensation, if any claimed is less than five lakhs, (2) or if the opposite party or parties does business within the district.

Procedure on Receipt of Complaint

(1) The District Forum shall, on receipt of a complaint, if it relates to any goods-

(a) send a copy of the complaint to the opposite party directing him to give his version of the case within a period of thirty days or such extended period not exceeding fifteen days.

(b) Where the opposite party denies the allegations or omits or fails to take any action to represent his case, the District Forum Shall proceed to settle the dispute.

(c) Where proper analysis or test is needed to determine the defect, a sample of the goods is sent to a laboratory to examine and report to the Forum within a reasonable time.

(d) The Forum may direct the complainant to deposit with the Forum a certain fee for analysis or test of the sample.

(e) The Forum shall remit the fee to the laboratory.

(f) The Forum shall forward a copy of the laboratory report with remarks, if any, to the opposite party and the complainant.

(g) The opposite party/the complainant may submit their objections to the laboratory findings to the Forum.

(h) The Forum shall give hearing to both parties and issue an order.

(2) If the complaint received by the Forum relates to the goods in respect of which the above procedure cannot be followed or the complaint relates to services, the procedure given in the Act is followed:

By a ordiance promulgated on June 18, 1993, the President of India amended the Consumer Protection Act, 1986 and extended certain important benefits to the Indian consumer, to plug the loopholes. Consumers can now file complaints in respect of goods hazardous to life and sefety under any law, thus moving preventive action against goods like LPG cylinders, spurious drugs, electrical goods and motor vehicles. Restrictive trade practices by traders are now covered by the Act. Services relating to housing construction are also specifically covered, in view of the ambigulty brought about by an earlier Supreme Court order.

The pecuniary jurisdiction has also been raised: Consumer Protection Act, 1986 with amendment 18 June 1993 complaints where the value of goods or the compensation claimed is less than Rs. 5 lakhs are now allowed to be filed in the District Forum, complaints between Rs. 5 lakhs and Rs. 20 lakhs can be filed before the State Commission, and complaints exceeding Rs. 20 lakhs can be filed before the National Commission. Class action suits, that it suits by recognised consumer associations and/or by one or more consumers on behalf of all consumers having the same interest, are now permitted. More Consumer Forum can be set up at the district level whereas earlier, the Act provided only one Forum per district.

The definition of consumer has been extended to include consumers who use goods exclusively for earning their livelihoods through self-employment; earlier, persons purchasing goods for commercial purposes were excluded from the benefits. The Consumer Fourm has have also been empowered to dismiss frivolous or vexatious complaints with costs upto Rs. 10,000. A time-limit of a year has been imposed for filling complaints, starting from the on which the cause of action arises.

The Act, however, still does not cover services rendered free of charge, thereby excluding public hospitals form its purview. A major opportunity has thus been lost to make government hospitals accountable to those whom they serve, and thereby improve standards.

In the bad old days, the rule was caveat emptor, buyer beware, but this is now reversed. Beware, the supplier of substandard or hazardous goods and the provider or shoddy services, i.e., seller beware.

Note :- The Indian consumer eats foods that is adulterated, drinks water that is contaminated, and breathes air that is polluted. He is exposed to Kesair dal that causes paralysis, artificial food colouring that damages the liver, bread whose shelf life of 72 hours has expired, and drugs that are banned in the developed countries. Many of the goods he uses, like LPG cylinder, electrical appliances and motor vehicles, are hazardous to human life and safety. He pays high fares for dirty railway compartments and dirtier toilets, and pays rent for the telephone when it is out of order for months. He uses buildings that are unsafe, and roads that are dangerous, with no pavements to walk on. The post does not reach him on time. Perhaps his biggest bane is the government, which provides woeful services in the fields of electricity, public transport, communication, banking, municipal services and public health. Indian consumers must have much better and efficient public utility services in all towns and cities.

17.8 Consumerism Opportunities

Consumerism is now established, vocal, and well-organised force in the market place so that consumer complaints and grievances will be heard and redressed (set right). The only question is who will answer those complaints? And who will redress them? Business or Government? If business ignores them or if business cannot or will not be accountable to the consumer, it is obvious that the only alternative is more and more consumer legislation and Government intervention to ensure justice and fair play to consumers. It means that indifference of business towards ever-growing consumer movement will amount to an open invitation or a blank cheque in favour of Government interference in the free market mechanism. In other words, consumerism is a direct challenge to business to be met with squarely, if business wants freedom or survival in our economy. Philip Kotler says:

(1) Consumerism was inevitable.

(2) Consumerism will be enduring

(3) Consumerism will be beneficial.

(4) Consumerism is pro-marketing

(5) Consumerism can be profitable.

Marketers in India are fast recognising the value of adopting a positive aattitute towards the new needs and wants of their consumers. Many of them have instituted "positives action programmes" in their organisations which directly repond to and anticipate consumer demands. This pro-consumerism is reflected in better quality products, better service, better warranties, better credit, clearly spelt out and strongly backed. It is reflected in the trend to release more informative advertising that not only sells, but clearly and honestly tells the consumer what he, or she, is entitled to know about the product and its performance. It is also reflected in the way products move in the market-place.

Consumers in India today increasingly expect value for money and quality in products and services. Marketers in India are gradually showing genuine interest in satisfying to day's more sophisticated, more skeptical and more demanding consumers. They must bridge the gap between consumer expectations and business performance by adopting pro consumerism marketing policy. This will benefit the business and economy as a whole. Our consumer market of around 300 millions is considered to be the 6th largest market in the world. By 2001, it is showing signs of growing around 400 millions of consumers. It is now the buyers' market.

If businessmen avoid subjecting themselves to self-regulation and voluntary restraint, society has a right to intervene through the people's Government to regulate their behaviour. In that contingency authorities will be compelled to impose more and more controls and restrictions through legislative action.

If businessmen had earlier shown the necessary foresight and taken on their own account effective and organised steps to build up through voluntary regulation fair trade norms or practices into the everyday process of industry and trade and into the exchange relationships between traders and consumers, the need for enacting consumer legislations would not have arisen. Failure of business to adopt marketing strategies from consumer viewpoint and develop consumer-oriented marketing concept is really responsible for the growth of consumerism and consequent legislation to provide consumer protection.

Self-policing is far more effective and superior or advantageous than State-policing in the field of distribution. There are about 40 million people employed in the Indian distribution system alone. If constructive ties are forged between the Government and the business, through co-operation, both parties can understand each other's viewpoints and difficulties and our economy can assure distributive justice without controls and restrictions.

Business community must read the writing on the wall and take, without delay, appropriate steps to regulate its conduct and cultivate self-discipline and self-regulation in the larger national interests. Let it be noted that this is not merely for protecting the consumer interest but also to protect the self-interest of the business community itself. In the current context of Indian marketing evnironment business cannot hope to thrive or survive unless it wakes up, faces the realities and fulfils both its economic as well as its social roles to the satisfaction of the consumer-public the man in the street or the community at large. For today business men can do their business only with public acceptability; otherwise they will have no business left to transact.

17.9 Management Response to Consumerism

Ideally, consumerism represents a wonderful opportunity for the forward-looking, aggressive business management. Consumerism challenges marketers to be more informative, more effective, more truthful and more responsible. It imparts a new social dimension to the challenge to the marketer and the ideal against which he measures his own performance. The ideal objective before every marketer is perfect match between the marketing effort and marketing opportunity so that we have guaranteed customer satisfaction and thereby assured profitability - the result of serving the demand. The basis of marketing concept is bending or adapting the supply to demand. Indian marketing environment in the near future will demonstrate very keen competition among sellers and intense consumerism. In such a matured market all marketers will be obliged to adopt societal marketing concept. Now we have also Consumer Protection Act.

Consumerism suggests the prospects of new ways of competing for consumers' preferences-through better products (safer, more nutritious, less polluting, more durable more reliable, easier to repair and to maintain and so on), better services (better trained travelling salesmen, regional customer-service centres), direct channels of communication between the company and its aggrieved customers (consumer representation or voice in decision-making), better customer information (informative labelling, credible advertising, personal selling, consumer guidance and education, truthful packaging), and the need to develop many entirely new products to conserve natural resources and to reduce pollution, and to permit recycling, when possible.

Many aspects of consumerism and environmental pollution may involve additional costs to marketers. For example, social costs of pollution may have to be absorbed by the business enterprises. These may be involved in the production, consumption and disposal of many products. But such costs also imply a profit opportunity for intelligent and smart marketers.

Since 1975, however, companies are making sincere efforts not only to identify and anticipate consumer problems and initiate constructive actions to solve those problems, but also the reorient their marketing ideology radically to suit the changing circumstances. Corporate managers now consider consumerism not as a threat or an obstacle but as a golden opportunity to establish mutually profitable exchange relationships. Consumerism forced the business to build up marketing-mix around the consumer and not around the product. This has enlarged appreciably the scope and significance of mrketing. Almost all have complete agreement that the most important underlying cause of growth of consumerism and recognition of its importance was the general feeling that business must assume greater social responsibilities.

17.10 Consumer Affairs Cell (CAC)

As a practical solution for establishing better rapport with the consumer, it is suggested that every manufacturer, especially of consumer goods, establish a Consumer Affairs cell (CAC). In his organisation which should be headed by a very senior Executive reporting directly to the Chief Executive.

Main Objectives

- more responsive to the valid grievances of consumers.
- resolving customer complaints promptly.
- dissemination consumer information.
- advising management on consumer issues.
- dealing with/providing liaison to outside consumer interest groups.
- educating consumers about their rights and responsibilites.

The Advantages

(a) The consumers, instead of going to the government agencies set up under the Consumer Protection Act and the MRTP Act, would prefer to approach the CAC first to get their complaints redressed. This will result in better consumer goodwill for the company and at the same time avoid adverse publicity.

(b) Corrective measures in time could be taken after getting feedback from the consumers.

(c) Inspire confidence in business and help create better credibility and increase of business in the long run.

The Consumer Affairs Cell (CAC) will have the following responsibilities:

(1) It will serve as a listening post for consumer inquires and complaints and it will see that they are answered. Such an effort will be close to the concept of an ombudsman (Lokayukta), representing individual complaints against the organisation. The consumer adviser will have sufficient authority to override the desires of the operating groups (managers), if necessary, to redress consumer grievances. Thus the company will recognise the consumer *'right to be heard' and* 'right to get redress.' Better two-way communication with the consumer can be established through this department. The individual consumer needs to be able to communicate with, and be answered by, a company.

(2) It will represent and advocate the consumer interests when policies and programmes are being formulated. It will provide an independent appraisal or evaluation of the company's marketing programme. Consumers can indirectly participate in the policy making process through this department.

(3) It will develop and operate an information system generating more and better information to consumers. It can publish instructional booklets on the use and care of the company products. Labelling can be more informative. Point-of-sale information can be improved. It will provide consumer education. It will adopt a new phrase ‘let the buyer be made aware’. It will ensure truthful packaging, truthful advertising, truthful pricing and truehful lending. Thus, it will provide consumer protection through higher business ethics or morality.

(4) The consumer affairs cell will also contribute to the development of corporate social objectives, programmes to implement or carry out these objectives and measures to evaluate the programmes. Thus, it will ensure that the company maintains the necessary degree of social concepts of marketing in practice.

The practice of creating consumer affairs cell is spreading in the developed countries. It indicates corporate acceptance of social responsibility. It also points out recognition of consumer bill of rights by businessmen. Indian big business houses are now inclined to follow the western practice and provide distributive justice to Indian consmuers. In a period of rapid change, every business enterprise in India must anticipate social needs and convert these needs into opprotunities for better performance and better results.

The Indian consumer has been exploited lot and still is likely to be more so in the future. Laws, even if effectively implmented cannot by themselves alone create a favourable environment for the consumer. The time has come to demand a greater public accountability of all private sectors and public sector undertakings and to force the government to satisfactorily fulfill its functions as the *'watch dog'* for the consumers. But none of this can be achieved without *'Solidarity'* - so let us say - "consumers of India unite, you have nothing to lose but much to gain" (with due apologies to Marx).

Expectations of Society

Indian consumers are aware of present conditions of production and distribution. They have limited expectations from Indian business. We will give these expectations in brief.

(1) Guarantee regarding quanity, quality, price and durability.

(2) Standardisation and Grading.

(3) Fair price.

(4) Low cost packaging for preservation, and modest presentation.

(5) Prevention of superfluous advertising and costly sales campaigns offering gift coupons or competitions etc. These sales promotion methods unethical. If they are avoided, we can have price reduction. Business should not be tempted to take away gold bangles frominnocent consumers by offering them sweets in exchange.

Guidelines for Positive Business Response

1. The creation of a satisfied consumer-citizen should be the central objective of all marketing activities and company actions. The new marketing concept has societal dimension covering not only consumer satisfaction but also public welfare.
2. The customer satisfaction has two aspects: (a) an informed customer and (b) a product that really works and offers expected performance.
3. There are the following ways and means to ensure product performance: (1) I.S.I. or I.S.O. certification marks regarding product quality and total quality control. (2) Consumer education and information. (3) Honest warranty. (4) Effective service after sale.
4. The customer needs both accurate and complete information. Hence, advertising must be truthful. Packaging and labelling must be honest. Marketing communications should not over-promose.
5. Corporate advertising should not be over-emphasized. Corporate advertising to create the best company image can never succeed unless basic problems of product, quality, service and customer information are effectively solved by the marketers.
6. Effective business response to consumerism demands an intergrated planned marketing programme which can be responsive and adaptable to the changing consumer and changing competition. Top management must be involved directly and sincerely in the problems raised by consumerism. It is necessary to have a high level consumer affairs position assisting top management and marketing executives continuously.
7. Marketers should adopt sincerely the new marketing concept, *viz.,* "The purpose of the business is to earn a profit by creating satisfied consumers with an offering fo products and services consistent with the public welfare." The marketer should ensure a stream of socially desirable (*Shreyas*) as

well as individually desired (*Preyas*) products and services.

Marketing is sometimes defined as looking at the world from the seller's end. But that is one way of looking at it. Business usually looks at marketing in this way. The very existence of consumerism is due to the concept of marketing from the seller's point of view. This is why it is said that consumerism is the shame of the marketing which is product oriented. The appropriate marketing concept is to look at the business from the buyer's end. If this is done by business enterprises, we can say that consumerism or consumer movement is actually an opportunity for marketing. If business looks at consumer and the Government not as enemies but as resources, probably we shall have minimum problems of consumer protests and grievances and the problems of redress of these protests or injustices. In other words, consumerism should be welcome by the business and it should try to understand the root causes of consumer movement and make sincere efforts to remove those causes from time to time. If the business anticipates correctly the consumer desires and tries to fulfil them, we shall have very good relations between sellers and buyers in the market place and the problem of consumer protection will be negligible.

17.11 New Avenues of Consumer-oriented Marketing

Since a majority of the consumer problems (packaging, product testing and pricing, promotion and advertising policies, distribution policies and so on) directly involve marketing policies and practices, marketing is the one management area in which the question will often be raised *"Is it good for the consumer?"* - the basic philosophy for all future consumer relations. All marketing decisions mut now centre round the question - *"How will they affect the consumer?"*

Marketing deserves special study because of its very objective of reaching and selling the consumer. It is time for business to discard the traditional mass-marketing concept of consumer and adopt in its place the new concept of consumer relations. Instead of viewing the consumer solely as sales prospect, it is now necessary for business to take a broader, more wider look at the consumer to asess the full range of his genuine diverse needs and desires. Let the businessman widen the aperture of his consumer viewing apparatus to get a much broader look at the total needs, desires, feelings, sensitivities of the people that buy his goods and services. Short -run sales and profits should be given secondary importance in such a consumer relations concept of the public. This is the demand of consumer movement today.

In such areas as market research, media planning, advertising appeals, brand promotion, selection of distribution channel, etc. management policies and decisions must see that consumer interests are duly protected. The nature and objectives of marketing management will have become vastly more consumer-oriented and much less product and/or corporation-oriented for the maximum long-range benefits of the corpotation itself. The future will call for far more effort in creating a reverse communications flow, carrying consumer (public) attitudes and opinions back to the corporation. Two-way communications are necessary for better flow of understanding between the corporation and the consumers. Management decision most be based on consumer viewpoint which is possible if we have two-way flow of communications in a blanced form. Consume research, shareholder research, consumer-interest committees, consumer relations (for services) sections are some of the new avenues to consumer-oriented marketing management.

17.12 Summary

In conclusion, we would like to leave you with the following key points about consumerism in India: Consumerism is a social phenomenon caused by the strains of shortages and inflation in our country. The causes of its origin and the areas of its potential contrubution, are different in India as compared to the West. In India the Government has a very significant role to play in meeting the aspirations of the consumer in relation to his basic needs. This again is different from the West. Sound marketing practice and consumerism have identical objectives and therefore industry's response to consumerism has to be positive and through the practice of marketing as distinct from sales. Industry has to invest more in safety testing, consumer education and R & D to cope with the increasing needs of the consumer. Consumer movement in the areas, such as fair dealing, full disclosure in advertising, weights and meaures, rests heavily on moral and ethical consideration. Marketing strategies, policies and practices must be in general accord with the consumer (public) interest. Then only the business can best prosper and consumers can be assured equity and justice in the market-place.

17.13 Self Assessment Test

1. What do you understand by consumerism? Explain the aims of consumerism.
2. Discuss the areas of consumerism.
3. Explain the rights of consumers under the Consumer Protection Act, 1986.
4. Describe those agencies, which are ensuring consumer protection.
5. Explain the role of consumer affairs cell.
6. Describe the new avenues of consumer oriented marketing.

Unit – 18 : Event Marketing

Unit Structure

18.0 Objectives

After studying this unit you should be able to understand

- The concept of event marketing
- The objectives and importance of event marketing.
- 3 E's of event marketing
- How to plan for an event
- Evaluation of an event

18.1 Introduction

An event can be described as a public assembly for the purpose of celebration, education, marketing or reunion. Events can be classified on the basis of their size, type and context.An event can be a social / lifecycle event like a birthday party, engagement, wedding, funeral etc. or an education and career event like an education fair, job fair, workshop, seminar, debate, contest, competition etc.

Event Management is the process of analyzing, planning, marketing, producing and evaluating an event. It is a different way of promoting a product, service or idea. If an event is managed efficiently and effectively, it can be used as a very powerful promotional tool to launch or market a product or service. Events Management requires certain core values to be deployed to every element, process and decision to justify professional approach and achieve effective and efficient results.

Entertainment is available in society. Now people have an easy access to the modes of entertainment and thus they want to see something which is away from their common routine. An event needs to offer such entertainment, one cannot experience without participating the event. Such quality of entertainment offered needs to be better than the quality of entertainment one can experience at home. One needs to feel he/she is offered an experience that has value which cannot be received anywhere else. For people to be willing to leave home and attend an event, they should be gaining valuable experiences which are not possible to be experienced at home.

Excitement may seem intangible but it is real. It becomes a memorable moment for the event to be remembered in future. An event should create some kind of excitement for the attendees. The excitement should be promoted and successfully implemented. Excitement is different for different people, therefore the group of people invited (which is the target audience) to the event should be informed of the excitement they can experience and enjoy. The event organiser should remember to promise anticipation and then execute the promised enthusiasm.

For enterprise - Event Marketing is described as: "How to successfully promote events, festivals, conventions, and expositions" is a "readiness to take risks or try something untried; energy and initiative". By this is meant the importance of creating such an event which is able to lead the way to new level of event offering. In addition a company should take risks in creating marketing for an event as in creating innovative fresh styles of event marketing. Creation of event marketing starts with analysing the event itself.

18.2 Event Marketing Mix

A product should be identified as unique, valuable and beneficial for the attendees.History and continuation of an event add value as well as show reliability and increase willingness to join the event among the target audience as well as the sponsors. A long history of an event is not vital for success, but helps to execute the process. A successful marketer knows how to gather participants for a historical event, by defining the event as historical for the organization as well as business in general. The uniqueness of an event is one of the key factors by which an event can have potential of becoming the top event to attend.

Pricing an event is determined by the main financial purpose of the event. If the purpose of the event is to profit, the incoming money has to be enough to pay the expenses yet be profitable. If the purpose is to create awareness, to create visibility, entertain customers etc. the incoming money is for paying the costs of the event, not necessarily creating monetary profit for the company. In addition there are events which spend money without profiting.

These can be referred to as certain losses, as the company invests an amount of money to in an event for charity or for creats of goodwill, or maintaining a good image in the minds of the customer(s). It is vital for the marketer to know the main financial purpose of the event when starting the planning.

The three aspects of pricing are costs, value to the customer and competition within the market. Continuously expanding competition affects the pricing, as new events enter the market frequently. In addition to monetary costs event consumer perceives other costs as well. These costs are time, physical effort, psychic costs as well as sensory costs. Visitors need to consume time to attend the event, physical effort to travel to the venue, psychic costs of being excited to attend the event and sensory costs which mean unpleasant experiences that might occur when attending an event.

Placing an event in correct location is important. The location in itself creates images in the customers' minds and the event can create negativity by being placed in a location which does not match the supposed image of the event. When the marketer is planning the location and the place for an event, it is very important for the marketer to value the purposes of the event. Issues of attractiveness or practicality of the location should support the decision of placing.

In event marketing, place does not only apply to the geographical location of the venue. It also implies the places from which a customer can purchase tickets for the event. This has to be limited in a way to serve the customers whether they wish to purchase over the internet or from a ticket-selling company or at the gates of the event venue.

Marketing without public relations is not effective. By marketing, the company releases images of itself and its events to customers determined by the company itself. What basic marketing fails to do with creating images in customers' minds, public relations can execute.

Public relations help in creating the right kinds of images in customers' minds. Public relations should be integrated as a continuing process within marketing to constantly influencing the customers with positive reminders of the company. Public relations can be executed with low costs, simply by sending news releases to newspapers which have readers from the company's target audience. To increase the participation rate for an event, the marketer needs to use all the available channels in communicating the right message which influences the target group. In order to be successful all communication should be unified and it should increase the credibility of the company, event and everything related to these. When a marketer knows how to appeal to the public as a company which cares e.g. environmental issues the company communicates images of being compassionate, caring, people-oriented, (in other words, good, as importance is not only in money and profits,) resulting in valuable positive attitudes towards the company and events it hosts.

For the marketing plan to be good, positioning the event should be performed thoroughly and precisely as fulfilling the customers needs and bringing a unique experience to the attendees. The marketer should decide whether the event can create a niche, or if the event can be put in an existing niche. If so, the marketer has to determine whether the event can offer something different compared to what competitors offer, and whether their offering is better and more valuable for the target audience. Companies marketing their events should concentrate on solving the question of how the competitors' offerings can be exceeded.

The marketer should be aware of the different types of profits a company can receive from organising an event. The most beneficial for the company is to differentiate itself well from others, from competitors. Companies and advertising campaigns should always offer exactly what has been promised.

18.3 Marketing Environment of Events

The marketing environment is divided into seven different sections separated from each other. All of these are dependent to the event organisation and its resources. Changes in society will affect the demand on different social events. Change in demand would directly increase or decrease certain type of events. To avoid a negative image, events should not harm the physical environment, but should be environmental friendly.

Within technological environment, companies vary from organising events with high technological equipment and obtaining visibility on the internet, while there are companies which are questioning whether create web pages or not. Many companies are placed between these two types of technological environments. Some are fully electronic, while others have not developed their technological aspect. By technological environment is meant the technological competence and equipment the company acquires in everyday activities.

The physical environment matters a lot when an event is held outside. The physical environment should be in a perfect condition, to ensure the image of the company is not harmed. The weather, being part of the physical environment, affects the number of visitors when the event is organised outside.

The economic state of a country or region affects the economic environment as changes in the demand for expensive superficial events.

Legal regulations complicate the process of organising events. The event organiser should have a thorough knowledge regarding the legislations and rules concerning political and legal issues, e.g. sale of alcohol.

The event organiser should have examined the market of events and ensured by marketing research the number of visitors attending the event. In the leisure-event market the number of offerings is broad, which affects directly the amount of possible customers. The competitive environment should be decided when the marketing plan is created.

The demographic environment consists of features of people; these are such as age, gender, income and interest. Changes in demographics are going to be in the near future significant, and as that will influence everything else, it affects the markets of events as well. The most significant change which affects all developed countries is the aging of the population. This creates either challenges or opportunities for companies organising events. It will be important to be able to appeal to the older group of people as well as maintaining interest within groups of younger people. The consumption of money spent on leisure activities will most likely increase within the aging population. Analysis of demographics helps the marketer to categorise the event consumer.

18.4 Planning of Event

We follow 5 'Ws' (i.e. Why, What, When, Where, Who) and 1 'H' (i.e.How) principle to create an event plan.

Why :

'Why' means, why you want to organize the event i.e. event objective. What do you want to get from the event? For eg: do you want to organize the event to enhance your company's brand image, to increase company's sales, to promote your client's products/services or to promote a social cause etc. Defining event objectives at the very start of event planning is very important as it gives you the direction in which you should proceed to accomplish your objectives. Organizing an event without clear objectives is a huge waste of both time and resources.

What :

'What' means what you are going to do in the event i.e. name of the event? For eg: 'Auto Expo 2011".

Food and Beverage Menu : It contains the list of food items and beverages you will serve during the event to guests and target audience. Always consult a caterer while deciding your food and beverage menu as he knows the best which wine is served with a particular course (i.e. meal).

Keep event theme, preferences and religion of target audience and guests in mind while deciding the menu. If majority of your target audience are vegetarian, then it is not a good idea to serve non-veg in the event. Similarly if majority of your guests are very health conscious then there should also be some low calories food items in your menu. You don't want them to go back with an empty stomach.

Also keep climatic conditions into account. Don't serve out of season food items and beverages. Like serving ice cream/cold drink in winter, food (like spicy food) that provides warmth during summer or food that provides coolness during winter.

Event Profile What the event is all about? For eg: This event is an International exhibition on new models of Cars and its accessories.

Guests Profile Who will be your chief guest and other guests? Your guest list must include organizers, sponsors, partners, clients and specially media people. Use your imagination to create good titles to woo your guests. Like 'Guest of honor', star guest etc. Never give special treatment to one particular guest or guests' group.

Event Theme Theme means subject. An event can be based on a particular theme like : hollywood, retro, modern , balloon, clock, red, white etc. Theme based events are generally parties or wedding. Like we can have party based on flowers theme. Such types of parties are known as theme parties.

In a theme party, everything from dress code, decoration, games, music, gifts, flavours to food and beverages are based on a particular theme.

Service Providers Who will be your service providers? Any professional providing any type of service in lieu of money is a service provider. For e.g.: DJ, anchor, florist, videographer, photographer, make up artist, performers, decorator, models, technicians, etc.

Obligations These are the compulsions on the guests like dress code or the knowledge of salsa dance.

Type of Entry Decide how will be the entry. Entry will be by ticket, pass or through invitation only.

Favors These are the gifts given to guests. We can give gifts to guests when they enter a party, when they win a game or when they leave the party.

Entry fees What will be the entry fees? If you are going to charge entry fees, then be prepared to pay entertainment tax. Your entry fees should be according to your target audience's status. If you overcharge you won't get any audience.

Event Highlights These are those activities which you do to catch your target audience and media's attention. Like inauguration of your fashion show by Malaika Arora Khan, performance by some famous singer, dancer or display of the India's most expensive car etc.

Promotional Campaign How you are going to promote your event, organizers, sponsors, partners and clients preevent, at-event and post-event.

Programme Menu It is the list of various activities that will occur as a part of the event. Sample Programe Menu of a Conference.

Event Budget To determine your event budget find out what will be the cost for producing and marketing the event. To determine production cost, create a list of logistics used in the event and then sum up there hiring/usage cost. You can determine marketing cost on the basis of historical data like past advertising expenditure for same or similar events. If you are a first timer, then take help from an ad agency. On the basis of production and marketing cost, determine your operating cost (i.e. cost to run the business). On the basis of operating cost decide your own fees and the staff salary. If you are organizing event for a client, then the client will bear the production and marketing cost of the event. If you are organizing your own event then you will bear the production and marketing cost. As an event manager, you must be able to recover your production, marketing and operating costs plus you must be able to make considerable profit also. Developing event budget and managing cash flow pre-event, at-event and post event is quite difficult and requires help from an experienced professional. Better leave this job to an Accountant if you are organizing.

When :

When you are going to organize the event (i.e. date and time)? Keep following things in mind while selecting date and time for the event:

1. Select date and time according to target audience convenience and availability. For e.g.: don't organize events during work days, examination days or festival times. The best time to organize events is during weekends like Saturday or Sunday.
2. Make sure that your event's date and time, don't clash with other event's date and time specially bigger event's date and time. For e.g.: it is not a good idea to organize your music concert on a day when there is some other major event or festival.
3. Keep climatic conditions into mind while selecting date and time for your event. It can be disastrous

to organize event outdoor on a day when the weather is stormy or heavy rain is expected. Here you can take help of your own experience if you are familiar with the climatic conditions of the region where you intend to organize the event or you can take the help of the meteorological department for the weather forecast. Find out how the weather will be on the day of your event.

Where :

Where you are going to organize the event (i.e. venue)? Check out the venue selection tips.

Who :

Who will be your organizers, sponsors, partners, clients and target audience? How many target audience you are expecting to visit the event and why? You must have very good reason to this 'Why' as you will have to convince your prospective organizers and sponsors that why particular number of people will attend the event.

How :

How exactly are you going to market and produce the event.

18.5 Evaluation of Event

Evaluation is an activity that seeks to understand and measure the extent to which an event has succeeded in achieving its purpose. The purpose of an event will differ with respect to the category and variation of event. However, to provide reach and interaction would be a generic purpose that events satisfy.

There can be two attitudes with which evaluation can be put in its proper perspective. The concept of evaluation stated above was a critical examination digging out what went wrong. A more constructive focus for evaluation is to make recommendations about how an event might be improved to achieve its aims more effectively. To carry out an evaluation and measurement exercise it is essential that the predefined objectives of the events have been properly understood. The brief should contain all the data to be communicated since if an event has been organized without a clearly defined purpose, any evaluation would be rather pointless.

The Basic Event Evaluation Process

In events, the basic evaluation process involves three steps:

- Establishing tangible objectives and incorporating sensitivity in evaluation
- Measuring the performance before, during and after the event
- Correcting deviations from plans

These steps are discussed below:

1. Establishing Tangible Objectives and Sensitivity in Evaluation

Setting objectives for an event is easier said than done. It is more difficult to set standards and declaring an event successful after it meets them. To provide tangibility to the problem, the best approach is to begin with definition of the target audience for whom the event has been organized. In the case of commercial events, the audience could be end users who use the company's products. An event might be conceptualized to achieve different things for different audience. Once the audience has been defined, the next step is to identify and put on paper what each of the audience is expected to think, feel and do having been to the event, that it did not think, feel or do beforehand. This adds an element of tangibility to the evaluation and measurement proceedings.

The number of mega-events has increased dramatically in the past few years and the costs of organizing events have also increased exponentially. The costs of production in major events can be enormous and therefore, in the near future one can expect companies to start asking questions about the effectiveness of their events to see whether their money is being spent prudently.

Creativity is derived from the Greek word 'enthousiasm' which literally translates into 'God, within'. Setting out to evaluate such an effort that is considered to be the work of Gods themselves demands a certain amount of sensitivity during evaluation. Objective evaluation should also take into consideration the nature of the concept and the process of execution of the event in their entirety. However professional the evaluation, there is scope for error and misjudgment if sensitivity is not adhered to. This is because it takes a creative and sensitive mind to spot wrong questions or situations where asking questions might be the wrong method and observation might be more appropriate. One of the ways of nurturing and encouraging this sensitivity is to place evaluation within the context of a team approach all the way from conceptualization to carrying out of the event.

From experience, it is known that people involved in an event are more open. minded and less committed to any particular course of action before the event occurs. Yet another learning is that, if things are shown to be wrong after a decision has been taken, the majority of people involved in the decision-making process may try to wash their hands of the fault. Thus, adding sensitivity to the evaluation process is very important.

2. Measuring Performance

The measurement of performance against the objectives should ideally be done on a forward looking basis so that deviations may be detected in advance of their occurrence and avoided by appropriate actions. The concept research is used to anticipate the viability of a concept during the conceptualization process. Formative and objective evaluations are carried out during the customization phase of an event. Summative evaluation can be carried out to measure performance during the event.

- **Concept Research**: At the conceptualization stage, if a concept team does not have a sound basis upon which to make a choice between various options, a commissioning of audience research to help in defining the strategic approach to be adopted in the event is appropriate. It essentially involves presenting the various options to a representative sample of the target audience in a story form and inviting their reactions. This provides enough material for understanding the pros and cons of the various available alternatives. The downside to this method is that it is speculative in nature since it deals with plans that nobody has as yet tried to implement. This method is called concept research.
- **Formative Evaluation**: Evaluation at this stage focuses on things that are actually happening. After the conceptualization team makes an attempt to customize and implement an agreed strategy, steps can be taken to evaluate the success with which customization is proceeding. These evaluations are aimed at shaping the form of the final event. Mock-up displays and presentations of the event are used to carry out research to check whether they are achieving the desired reactions from the audience. These evaluations are conducted among small sample representative of the target audience in an open-ended and qualitative fashion since the main emphasis is on discovering how the concept might be better represented. The outcome of these formative evaluations lead to a discussion among the team in which proposals for rectifying any weak points in the communications can be put forward. A point, which should be safeguarded against whilst using this technique, is to interpret consumer reactions with considerable sensitivity to stimulate the creative process further and also to ensure

that good ideas are not killed simply because they were not properly presented in mock-up form.

- **Objective Evaluation**: This is the stage when approval from the client is sought before starting the execution related activities of an event. The evaluation team has to provide the objective evidence that has been collected which justifies the proposed concept solutions. The team also provides reassurance on how and why the particular event will work among its intended audience. Since taking the client into confidence requires certain amount of objectivity and professionalism, this technique is called objective evaluation.
- **Summative Evaluation**: After the event has started, the evaluation team should be concerned with measuring the impact of the event upon its audience. Among other things, they should establish the extent to which the objectives or aims of the event have been met and whether the event can be improved in any way and if so, how This will not apply for short term events though. A major purpose of evaluating an event after it has opened to the public is that it provides the team with the opportunity of learning from their mistakes. The team should assimilate the information thus collected so that they can avoid making similar mistakes in the future.

3. Correcting Deviations

The fundamental reason why event evaluation is carried out is to navigate the event so as to ensure that the event objectives are achieved in total. And since deviations may occur during any stage in the event designing phase, it is important that measurement is carried out at all possible stages.

Critical Evaluation Points Events can be evaluated based on the critical success factors listed below; from both the clients' and event organizer's viewpoints.

Critical Evaluation Points from Event Organizer's Point of View There are multiple criteria for evaluating the success of an event from the event organizer's point of view. These are over and above ensuring perfect reach and interaction for the client by networking on-time & at lowest cost. The client event-target audience fit should match the clients' brand/product/company image and personality perfectly, keeping the target audience as the focal point. This is a very critical evaluation point. Ensuring the profitability of an event such that there is maximum profitability with minimum mark ups is another critical evaluation point. Since resources are also a major constraint for event organizers, the resource management efficiency i.e., resources committed and span of time for which it stays committed – financial, human, equipment and infrastructure should be a minimum. The number of staff and volunteers involved should be appropriate to offer quality service.

Logistics and efficiency of event execution for ensuring smooth proceedings without unnecessary delays and damages is another critical success factor. Creating avenues for lead generation & its proper management during the event is a critical factor. Each and every completed event should generate more inquiries and these should be responded to immediately. Opportunities for explanation of available synergies and expansion of services offered to client to keep strategic integration and diversification options open is also an important factor. Since an event is essentially a one-off affair and any last moment problem can convert an exceptionally well-planned event into a disaster, all care needs to be taken during the event execution. Yet, another important critical success factor is the degree of localization or customization accommodated in the concept to suit the demographic and other variables of various places where the event is to be carried out.

- **Critical Evaluation Points from Clients' Point of View** We have discussed earlier that the impact an event has on its target audience is equivalent to the measure of reach and interaction that occur during the event. Whereas reach is tangible, interaction to a certain extent is intangible as well as not always quantifiable. Immediate and long-term benefits that accrue from an event are important when evaluating an event from the clients' point of view. A cost-benefit analysis concerning the effectiveness of reach and interaction is a must as a pre-event activity. Post-event stock taking activity should be done to confirm whether the event has occurred as per plans. This analysis should consider the actual cost of the event that includes the nonbudgeted expenditure as well as the actual benefits that accrued to the client from the event. The accrual of benefits can be judged by measuring the tangible parts of the objectives that have been achieved.

- **Measuring Reach** Reach is of two types – external and actual event reach. Since events require massive external publicity-press, radio, television and other media are needed to ensure that the event is noticed and the benefit of reach is provided to the client. Measurement of external reach is possible by using the circulation figures of newspapers and promotions on television and the radio. The DART and TRP ratings that rate the popularity of programmes on air and around which the promotion is slotted, is a very tangible though approximate method for measuring the external reach of a promotion campaign on television. Measurement of external reach should be tempered with the timing of the promotions as effectiveness of recall and action initiated amongst the target audience is highly dependent on this important variable. For example, releasing ads and promos one month ill advance should be considered more as an awareness exercise for propagating

The event concept, time, date and venue of these owe to the audience. The entry criteria – free, invited or ticketed show should be clearly mentioned here. The measurement of the actual reach of an event is relatively simple. The capacity of the venue is a figure that provides the upper limit for the actual reach. Ticket sales or numbers of invitees are also direct measurement tools. Registration of participants and requests for filling in questionnaires are also common methods of measuring the actual reach of an event.

Concept of event quality and measuring quality of event : Exactly on the lines of the evaluation of effectiveness of an event comes the concept of event quality. In essence, quality of an event exists in the clients' perspective and thus varies from client to client. By aiming for quality by maintaining standards, preventing mistakes, never cutting corners and using only top quality infrastructure is looking at quality from a skewed angle.

Unless the target audience and the clients perceive the quality of the job in the same way as the event organizers, the big picture of quality is not complete. Therefore, it is critical to match the clients' expectations and experiences by including even the minutest details to arrive at the perceived quality of event. In matters of dispute, it is value to the client that finally matters. For the client, quality of an event is a bundle of attributes. A few of these critical attributes are quality and reliability of equipment used, aesthetic appeal, appropriate cost and timely completion of the project.

Each client will care more about some attribute than others. Thus, it is important to find out how clients would define quality event service. Competence in project management from conceptualization to carryout, reliability and integrity as in the past performances of events that have been executed by the event organizer is a very important quality criterion. Responsiveness to the clients' requirements i.e., empathy, mutual confidence and trust are also criteria used by clients to size up the quality of event organizers. Every client expects the event to provide the ideal audience to associate with; impress and entice. Thus, the quality of an event can also be defined in terms of the audience quality. Clients should focus on three major statistics that define audience quality:

- **Net buying influences** which can be defined as the ratio of the number of audience that can recommend, specify or approve purchase to the total population at the event.
- **Total buying plans** imply the percentage of the audience planning to buy a product/service from the sponsors' stables within the next 12 months after the show.
- **Average audience interest** is the percentage of audience that shows an interest in the sponsors' products or services during the event itself and immediately after. This may be measured by keeping track of the number of visitors to the sponsors' stall or exhibit area during the event.

18.6 Summary

While marketing an event, there are a few key tactics and methods that can be employed to ensure that the event gains the maximum response and also that event is managed in the minimum cost possible. Event marketing has been a concept that has only recently been pioneered in India. But, though new, the concept has taken off very well with the Indian consumers who are evolving rapidly. There are three important elements of event marketing viz. entertainment, excitement and enterprise. As marketing the event marketing also have to be defined with a set of price, place, public relations, product etc. To plan and event the event management should seek the answers of the basic question like why, what, when, who, where and how. Once the event is conducted there is a dire need of evaluation of the events for future improvements.

18.7 Self Assessment Test

1. Define event marketing with the help of examples.
2. Discuss the various environmental factors to be kept in mind before planning for an event.
3. Explain the importance of three E's pf event marketing with suitable examples.
4. Discuss the steps in event marketing.
5. How can we measure the performance of an event?