NAVIGATING THE MARKETING LANDSCAPE STRATEGIES TOOLS AND ANALYTICS

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PREFACE

In today's dynamic business environment, the field of marketing is undergoing rapid evolution driven by technological advancements, shifting consumer behaviors, and globalization. Navigating this complex and ever-changing marketing landscape requires a deep understanding of strategies, tools, and analytics that empower marketers to make data-driven decisions and drive business growth. This book, "Navigating the Marketing Landscape: Strategies, Tools, and Analytics," is designed as a comprehensive guide for marketers, business professionals, and students seeking to excel in the modern marketing arena. Our goal is to provide readers with valuable insights, practical strategies, and hands-on tools to navigate the challenges and opportunities presented by the contemporary marketing landscape. The book is structured to cover a wide range of topics, starting with foundational concepts such as marketing fundamentals, consumer behavior, and market segmentation. We then delve into strategic frameworks and approaches, including branding strategies, product development, pricing strategies, distribution channels, and integrated marketing communications.

One of the core focuses of this book is on leveraging analytics and data-driven techniques to optimize marketing efforts. We explore topics such as marketing research methodologies, data analytics tools, digital marketing strategies, social media analytics, customer relationship management (CRM), and performance measurement metrics. Throughout the book, we have integrated real-world case studies, examples, and practical applications to illustrate key concepts and strategies. These insights are drawn from diverse industries and contexts, providing readers with a holistic view of marketing practices across different sectors. We also recognize the importance of emerging trends and innovations in marketing, such as artificial intelligence (AI), machine learning, automation, and predictive analytics. These technologies are reshaping marketing strategies and enabling marketers to personalize customer experiences, improve targeting, and optimize campaign performance. As authors, we bring together our expertise, research findings, and industry insights to create a comprehensive resource that serves as a roadmap for navigating the complexities of the modern marketing landscape. Whether you are a seasoned marketing professional looking to stay ahead of industry trends or a student aspiring to enter the field of marketing, this book is designed to equip you with the knowledge and tools needed to succeed. We hope that "Navigating the Marketing Landscape: Strategies, Tools, and Analytics" serves as a valuable companion on your journey to mastering the art and science of marketing in today's competitive business environment. Happy reading and may your marketing endeavors be both insightful and rewarding.

Sincerely,
Dr.Madhavi.K
Dr.P.Venkaiah Babu
Dr.Dhanaraj Nasa

ACKNOWLEDGMENT

Writing a book of this magnitude and complexity requires the collective effort and support of many individuals and organizations. We would like to express our sincere gratitude to everyone who contributed to the creation of "Navigating the Marketing Landscape: Strategies, Tools, and Analytics." First and foremost, we extend our deepest thanks to our families for their unwavering support, patience, and encouragement throughout the writing process. Their belief in our vision and dedication has been a source of motivation and inspiration.

We are immensely grateful to our publisher and editorial team for their professionalism, guidance, and expertise in bringing this book to fruition. Their insights and feedback have been invaluable in shaping the content and ensuring its relevance and quality. We also extend our appreciation to the reviewers and experts who provided valuable feedback and suggestions during the manuscript review process. Their insights helped enhance the clarity, accuracy, and depth of the content.

Our heartfelt thanks go to the contributors, researchers, and practitioners whose work and insights are featured in this book. Their expertise and real-world experiences have enriched the content and provided practical insights for our readers.

We acknowledge the academic institutions, libraries, and research organizations that have provided resources, access to literature, and support for our research endeavors. Their contributions have been instrumental in shaping our understanding of marketing principles and practices. Special thanks are due to our colleagues, mentors, and industry peers who have shared their knowledge, experiences, and perspectives, enriching our understanding of marketing trends, strategies, and analytics.

Last but not least, we express our gratitude to the readers and students who will engage with this book. Our hope is that the knowledge, strategies, and tools presented here will empower you to navigate the dynamic marketing landscape with confidence and success.

Thank you to everyone who has played a role, big or small, in making "Navigating the Marketing Landscape: Strategies, Tools, and Analytics" a reality.

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TABLE OF CONTENT

UNIT – IV

CHANNEL OF DISTRIBUTION- I

UNIT – V

CHANNEL OF DISTRIBUTION- II- SALES PROMOTION, ADVERTISING AND PERSONAL SELLING

UNIT – VI

RECENT TRENDS IN MARKETING

UNIT-VII

INTRODUCTION OF MARKETING ANALYTICS

UNIT - 1

MARKETING MANAGEMENT

MARKET

The term _market‘ originated from Latin word _marcatus‘ implying _merchandise‘ _ware traffic‘ or _a place where business is conducted‘. A market can be defined as the summation of all the buyers and sellers in an area or region under consideration. The area may be a country, a region, a state, a village or a city.

Market is a place where goods, commodities or services provided by the sellers are swapped with the buyers or purchasers for some value combined with need, demand, supply etc. It is a place, which satisfies the potential needs of the buyers as well as the sellers. The market may have a physical existence or a virtual one. It may be local or global one.

Characteristics of a Market

A market has its own characteristic features. It involves only exchange and trade of commodities but that activity also has its own features.

- A place for swapping goods and services for some value. The goods can be swapped for money, land or some other commodity.
- This is a place where you can negotiate commodities
- Coverage of all customer requirements is possible here
- This is a place for innovation and creation
- There is potential or capacity for buying and selling.
- There is share of consumption as well as total part of demand.

Elements of a Market

The key elements that make a market, without which a market is not complete or the elements on which a market depends are as follows −

Place − The area where the swapping of goods, commodities or services takes place between the seller and the buyer. The place should be convenient to both the parties.

Demand − Market runs on supply and demand. A seller provides the products or services and a buyer wants to fulfill his/her requirements. A product with high demand is supplied more.

Seller − A seller is the person or the party who offers a variety of or even a single product or service to others in return of some valuable item.

Buyer − A buyer is the person or party who needs a product or service and in return is ready to pay some valuable item as demanded by the seller for the product.

Price − This is the cost or the amount that is to be paid for a product or service. It should be fixed; else, it may lead to conflict as well as an imbalance in the seller-buyer relationship.

Government Regulation − The government makes some regulations that both the buyer and seller have to abide. Everyone is treated equally in front of the law. For example, the buyer is not allowed to sell illegal products while the seller is prohibited from buying them.

Product Specification − It is very important to specify the quantity required, ingredients used and all other details of the product as everybody has different tastes and requirements. It is also not necessary that what suits one person should suit another.

These are the key elements that can make or deteriorate a market. A market runs with all these elements together; if one of them is removed, there is no market. For example, if we remove the buyer from the market, the question of who will purchase the commodities arises. In the same way, each element has its own role in the market.

MARKETING

Marketing is the science of meeting the needs of a customer by providing valuable products to customers by utilizing the expertise of the organization, and to achieve organizational goals. Production and marketing of goods and services are the essence of economic life in any society. All organizations perform these two basic functions to satisfy their commitments to their stakeholders – the owners, the customers and the society, at large. They create a benefit which is the want-satisfying power of a good or service.

There are four basic kinds of utility – form, time, place and ownership utility. Form utility is created when the firm converts raw materials and component inputs into finished goods and services., The organization‘s production function is responsible for the actual creation of form utility. Marketing function creates time, place and ownership utilities. Time and place utility occur when consumers find goods and services available when and where they want to purchase them. Online retailers with 24*7 emphasize time utility. Vending machines focus on providing place utility for people buying snacks and soft drinks. The transfer of title to goods or services at the time of purchase creates ownership utility.

Classical marketing is described in terms of the four ―P‘s, which are:

Product –Goods or Services are offered to customers

Promotion-Producer communicates the value of its products

Price – the value of the exchange between the customer and producer

Place – where the product is delivered to the customer.

A complete analysis of these categories is often called the Marketing Mix.

Marketing has both inbound and outbound activities. Inbound activities largely center on discovering the needs and wants of the potential customers. The collective group of all potential customers is called a market. Categorizing these needs into groups is called segmentation. Organizing markets into segments allows a producer to more logically decide how to best provide value to that group of potential customers. The analysis of market segment needs; analysis of existing sales and profitability; the descriptions, design and introduction of new products; and the analysis of competitor offerings are also inbound activities that are important but not often seen by the public.

Outbound activities include all aspects of informing the market that a product is available, delivering that product, and encouraging the purchase decision. These activities include advertising, promotion, supply chain, sales support, product training, and customer support.

Continuous exposure to advertising and personal selling leads many people to link marketing and selling, or to think that marketing activities start once goods and services have been produced. While marketing certainly includes selling and advertising, it encompasses much more. Marketing also involves analyzing consumer needs, securing information needed to design and produce goods or services that match buyer expectations and creating and maintaining relationships with customers and suppliers.

The difference between selling and marketing can be best illustrated by this popular customer quote: **‗Don't tell me how good your product is, but tell me how good it will make me'**.

Definition of Marketing

The American Marketing Association, the official organization for academic and professional marketers, defines marketing as: ***Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.***

Another definition goes as ‗process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'. Simply put: Marketing is the delivery of customer satisfaction at a profit. The notion of exchange as central to marketing is reinforced by many contemporary definitions such as ‗marketing is the process of creating and resolving exchange relationships' and ‗marketing is the process in which exchanges occur among persons and social groups'. The essence of marketing is the exchange process, in which two or more parties give something of value to each other to satisfy felt needs. In many exchanges, people trade tangible goods for money. In others, they trade intangible services. Exchanges in marketing are consummated not just between any two parties, but almost always among two or more parties, of which one or more taken on the role of buyer and one or more, the role of seller.

Evolution of Marketing

Exchange is the origin of marketing activity. When people need to exchange goods, they naturally begin a marketing effort. Wore Alderson – Civilization, a leading marketing theorist has pointed out, _It seems altogether reasonable to describe the development of exchange as a great invention which helped to start primitive man on the road to civilization‘. Production is not meaningful until a system of marketing has been established. Nothing happens until somebody sells something. Although marketing has always been a part of business, its importance has varied greatly over the years. The following table identifies five eras in the history of marketing.

ERA	PREVAILING ATTITUDE AND APPROACH
PRODUCTION	• Consumers favor products that are available and highly affordable • Improve production and distribution • _Availability and affordability is what the customer wants‘
PRODUCT	• Consumers favor products that offer the most quality, performance and innovative features • _A good product will sell itself‛
SALES	• Consumers will buy products only if the company promotes/ sells these products • _Creative advertising and selling will overcome consumers‘ resistance and convince them to buy‘
MARKETING	• Focuses on needs/ wants of target markets and delivering satisfaction better than competitors • _The consumer is king! Find a need and fill it‘
RELATIONSHIP MARKETING	• Focuses on needs/ wants of target markets and delivering superior value • _Long-term relationships with customers and other partners lead to success‘

Scope of Marketing

Marketing has a very wide scope it covers all the activities from conception of ideas to realization of profits. Some of them as discussed as below:

Study of Consumer Wants and Needs:

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

Study of Consumer behaviour:

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

Product Planning and development:

It includes the activities of product research, marketing research, market segmentation, and product development, determination of the attributes, quantity and quality of the products.

Branding:

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

Packaging:

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

Nature of Marketing

Nature of Marketing	• Exchange is the essence of marketing. • Marketing is customer/ consumer oriented. • Marketing starts and ends with customers/ consumers. • Modern marketing precedes and succeeds production. • Marketing is goal oriented and the goal being profit maximization through satisfaction of human needs. • Marketing is a science as well as an art. • Marketing is the guiding element of business (It tells what, when, how to produce; Marketing is capable of guiding and controlling business. • Marketing is a system. • Marketing is a process, i.e., series of interrelated functions.

IMPORTANCE OF MARKETING

(1) Marketing Helps in Transfer, Exchange and Movement of Goods

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries‘ viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers. To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen –Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer.‖

(2) Marketing is Helpful in Raising and Maintaining the Standard of Living of the Community

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, ―Marketing is the delivery of standard of living‖. By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has in fact, revolutionized and modernized the living standard of people in modern times.

(3) Marketing Creates Employment

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardization, etc. In each such function different activities are performed by a large number of individuals and bodies.

Marketing gives employment to many people. It is estimated that about 40% of total population is directly or indirectly dependent upon marketing. In the modern era of large scale production and industrialization, role of marketing has widened. This enlarged role of marketing has created many employment opportunities for people.

(4) Marketing as a Source of Income and Revenue

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Marketing provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

(5) Marketing Acts as a Basis for Making Decisions

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer. In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialized activity along with production. As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same. Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing is Helpful in Development of an Economy

Adam Smith has remarked that ―nothing happens in our country until somebody sells something‖. Marketing is the kingpin that sets the economy revolving. The marketing organisation, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

MARKETING CONCEPT

Marketing concept is the philosophy that companies should examine the requirements of their customers and then make decisions to satisfy those needs in a better manner than the competitors. Today, most of the companies have adopted various marketing concepts, but this has not always been the case.

The major marketing concepts are −

- Production concept
- Sales concept
- Marketing concept

Production Concept

According to the production concept, a company should focus on those items that it can produce most efficiently and also focus on creating supply of low-cost items that create the demand for the products. This concept worked fairly during the 1920s as the items that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose task was to complete the transactions at a price fixed by the cost of production. All in all, this concept prevailed until the late 1920's.

Sales Concept

According to this concept, the companies would not only produce the items but would also try to convince customers to buy them through advertising and personal selling.This concept paid little attention to whether the item actually was required. The goal simply was to beat the competition with little focus on customer satisfaction. Marketing was an operation performed after the product was developed and produced and many people came to relate marketing with hard selling. Even today, people use the word "marketing" when they actually mean ―sales.‖

Marketing Concept

The marketing concept relies upon marketing studies to define market segments, their size, and their requirements. To satisfy those requirements, the marketing team makes decisions about the controllable parameters of the marketing mix.

This concept was introduced after World War II as the customers could afford to be selective and buy only those items that precisely met their changing needs and these needs were not immediately obvious. The key questions are

- What do customers actually want?
- Can we improve it while they still want it?
- How can we keep the customers satisfied?

In reply to these discerning customers, companies began to adopt marketing concepts, which includes −

- Focusing on customer requirements before developing a product
- Aligning all operations of the company to focus on those needs
- Realizing a gain by successfully satisfying customer needs over the long-term

When companies began to adopt this concept, they actually set up separate marketing departments whose objective was to satisfy customer needs. Mostly, these departments were sales departments with expanded responsibilities. While this widened sales department structure can be found in some enterprises today, many of them have structured themselves into marketing organizations having a worldwide customer focus.

MODERN CONCEPTS OF MARKETING

Modern concepts of marketing are broad concepts. It means finding out the consumer and make the goods as per their needs rather than to provide them what the seller has made. There are 6 modern concepts of marketing which are very important from the point of view of marketer.

(a) Production concept: – The companies which use the production concept generally focus too narrowly on their own activities because according to this concept the companies think that consumer will buy the product which comes in the market.

(b) Product concept: – As per this concept companies give importance to the features or the quality of the product because in long run the product exists only with the quality it is giving to the consumer.

(c) Selling concept: – it is not sufficient for the manufacturer to made the goods and wait for the customers. Thus, according to this concept it is very important to inform the consumer about the product which can be done through different ways of promotion.

(d) Marketing concept: – consumer now a day is treated as ―GOD‖. So it is very important for the manufacturer to produce the product which the consumer wants, so that consumer get satisfaction and manufacturer earns profit.

(e) Consumer concept:- now not only marketing concept is sufficient rather the companies are using consumer concept which means to give attention to individual consumer it can be done through one to one marketing.

(f) Societal marketing concept: – this concept means that company should not only work for the consumer but also for the society. So the company should make balance between company‘s profits, consumer wants and society welfare.

MARKETING PROCESS

Marketing process includes ways in which value can be created for the customers to satisfy their requirements. It is an endless series of actions and reactions between the customers and the companies making attempt to create value for and satisfy the needs of customers. In marketing process, the situation is examined to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are taken, plan is executed, and results are monitored.

The marketing process can be divided in several different ways. One popular conceptualization of marketing tasks is:

1) **Situation Analysis -** Analysis of the situation in which the company finds itself serves as the basis for identifying chances to satisfy unfulfilled customer needs. Situational and environmental analysis is done to identify the marketing options, to understand the company's own capabilities and to understand the surroundings in which the company is operating.
2) **Strategy formulation** – the development of the broadest marketing/business strategies with the longest term impact. After identifying the marketing options available, a strategic plan is developed to pursue the identified options. An analysis is done and the best available option is chosen; a plan or strategy is made for that option.
3) **Marketing planning** – the development of longer-term plans which have generally stronger impact than the short-term programs.
4) **Marketing programming, allocating and budgeting** – the development of short-term programs which generally focus on integrated approaches for a given product and on the allocation of scarce resources such as sales effort or product development time across various products and functions. At this step, elaborated tactical decisions are made for the controllable parameters of the marketing mix. It includes decisions related to product development, product pricing, product distribution and product promotion.
5) **Marketing implementation** – the actual task of getting the marketing job done. The marketing plan is executed and the outputs of marketing efforts are monitored to adjust the marketing mix according to the market changes. This being the final step, it transforms the written or planned strategy into action and the product is presented according to this process.
6) **Monitoring and auditing** – the review and analysis of programs, plans and strategies to assess their success and to determine what changes must be made.
7) **Analysis and research** – the deliberate and careful acquisition and examination of qualitative and quantitative data to improve decision making.

MARKETING PROCESS - ACTIVITIES

Marketing is a process by means of which goods and services are exchanged. The goal of marketing is to move the products from the producer to the consumer. The flow of goods from the place of origin to the place of destination, involves a number of activities which is not a simple task. Many marketing activities have to be performed to attain the said objective. These marketing activities or functions are performed by marketing middlemen such as merchant middlemen (wholesalers and retailers) or agent middlemen (brokers and commission agents) within the broad framework of marketing mechanism. These activities of transfer are functions which are known as marketing process. The marketing process involves three major activities viz.,

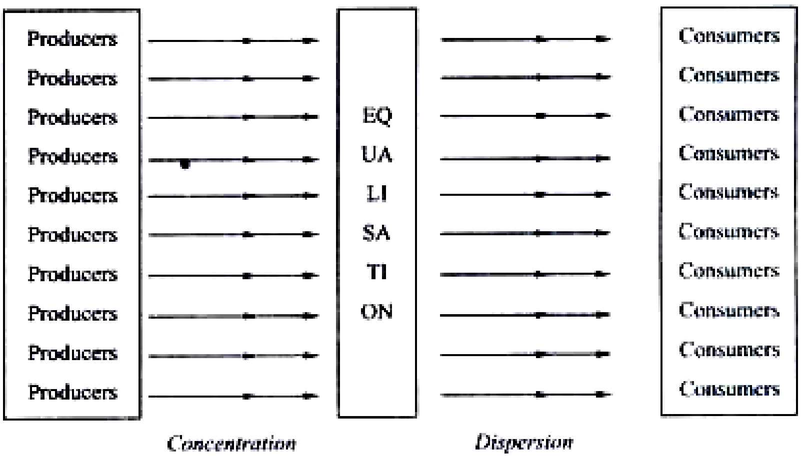
1) Concentration;

2) Dispersion; and

3) Equalization.

(1) Concentration:

The first process of marketing is concentration. Concentration aims at the collection of products at a central place. Concentration means bringing the goods at some important and convenient centres to make possible effective and economical distribution. Goods are collected from small producers at central points to enable the retailers to have adequate stocks of products of various qualities to meet the numerous requirements of their customers. Concentration is an essential process of marketing for the following reasons:



Diagrammatical representation of marketing process

(a) Small Lot of Output:

Agricultural produce, eggs, fruits, vegetables, dairy products, such as milk, butter, ghee etc., are collected at a central place from innumerable farmers, scattered here and there. These are marketed in natural form. To make other marketing services such as grading and standardization, for the benefit of consumers, all produces- rice, wheat, cotton, tea, etc., are brought to a central place.

(b) Assembly of Parts:

Some types of manufactured products need assembly work; f6r example, spare parts of products. These parts are manufactured at different firms and at different places. To make the final products, assembly or concentration is essential.

(c) To Facilitate Regular Supply:

To ensure the continuous supply of products to the consumers, concentration is essential. Generally the jobs are undertaken by wholesalers, exporters, agents, etc.

(2) Equalization:

The process of equalization occurs between the process of concentration and the process of dispersion. It implies the reconciliation between demand and supply through storage and transportation, in needed quantity and quality at the required time and place. Adjustments of supply to demand are effected.

The need of equalization arises on account of:

(a) There may be seasonal production but continuous consumption;

(e.g., paddy, wheat, jawar, fruits, vegetables etc.)

(b) There may be continuous production but seasonal consumption;

(e.g., rain coats, umbrellas, sweaters, woollen socks, mufflers etc.)

(c) There may be difference in terms of quality requirements;

(d) There may be difference in terms of quantity requirements.

This equalization facilitates regular supply. Then transport bring equalization of supply, place-wise; and warehousing enables equalization of supplies, time-wise.

(3) Dispersion:

Concentration takes place because of dispersion. Otherwise concentration has no meaning. The goods or products, assembled at a central place, have to be distributed to the consumers. Some of the products are dispersed to manufacturers or processors and the remaining goods are dispersed to the final consumers through a chain of wholesalers, retailers, agents, middlemen etc. The products meant for ultimate users are subdivided into small lots required to meet the final consumption.

Dispersion is essential, because the buyers are scattered or located not near the firm or in a concentrated place. In the absence of consumption, production has no meaning. The purpose of production and its concentration aims at finding consumers at profitable and accepted price. Dispersion completes the process of marketing and is a very important activity because the goods produced and concentrated have no value unless these are properly distributed to the centres of final consumption.

Concentration, dispersion and equalization constitute the soul of marketing.

CLASSIFICATION OF MARKETS—TRADITIONAL:

Markets can be classified on different bases of which most common bases are: area, time, transactions, regulation, and volume of business, nature of goods, and nature of competition, demand and supply conditions. This classification is off-shoot of traditional approach.

Traditionally, a market was a physical place where buyers and sellers gathered to buy and sell the goods. Economists describe a market as a collection buyers and sellers who transact over a particular product or product class.

(A) On The Basis of Area:

Using area, there can be local, regional, national and international markets. Local markets confine to locality mostly dealing in perishable and semi-perishable goods like fish, flowers, vegetables, eggs, milk, and others.

Regional market covers a wider area may be a district, a state or inter-state dealing in durables both consumer and non durables and industrial products, including agricultural produce.

In case of national markets the area covered are national boundaries dealing in durable and non-durable consumer goods, industrial goods, metals, forest products, agricultural produce.

In case of world or international market, the movement of goods is widespread throughout the world, making it as a single market. It should be noted that due to the latest technologies in transport, storage and packaging, even the most perishable goods are sold all over the world, not that only durables.

(B) On the Basis of Time:

The time duration is the factor. Accordingly, there can be short period and long period markets. Short-period markets are for highly perishable goods of all kinds and long-period markets are for durable goods of different varieties may be produced or manufactured.

(C) On the Basis of Transactions:

Taking the nature of transactions, these can be ‗spot' and ‗future' markets. In ‗spot' market, once the transaction takes place, the delivery takes place, while in case of future markets, transactions are finalized pending delivery and payment for future dates.

(D) On the Basis of Regulation:

Taking regulation, markets can be regulated and non-regulated. A ‗regulated market' is one in which business dealings take place as per set rules and regulations regarding, quality, price, source changes and so on.

These can be in agricultural products or produce and securities. On the other hand, unregulated market is a free market where there are no rules and regulations; even if they are there, they are amended as per the requirements of parties of exchange.

(E) On the Basis of Volume of Business:

Taking volume of business as a basis, there can be two types of markets namely, ―Wholesale‖ and ―Retail‖. Wholesale markets are featured by large volume business and wholesalers.

On the other hand, ‗Retail' markets are those where quantity bought and sold is on small-scale. The dealers are retailers who buy from wholesalers and sell back to consumers.

(F) On the Basis of Nature of Goods:

Taking the nature of goods, there can be commodity markets, capital markets. _Commodity‘ markets deal in favour of material, produce, manufactured goods may be consumer and industrial and bullion market dealing precious metals.

_Capital‘ market is a market for finance. These markets can be subdivided into _money‘ market dealing in lending, and borrowing of money; _Securities‘ market or _stock‘ market dealing in buying and selling of shares and debentures and _foreign exchange‘ market where it is a forex market dealing buying and selling of foreign currencies may be hard or soft.

(G) On the Basis of Nature of Competition:

Based on competition or competitive forces, there can be variety of markets for a product or service. However, only two are the most important namely, perfect and imperfect.

A 'perfect' market is one which is characterized by:

(a) Large number of buyers and sellers

(b) Prevalence of single lowest price for products those are _homogeneous‘

(c) The perfect knowledge on the part of buyers and sellers

(d) Free entry and exit of firms in market. These types for markets exist hardly.

The other one is 'imperfect' which is featured by:

a) Products may be similar but not identical
b) Different prices for a class of goods
c) Existence of physical and psychological barriers on movement of goods
d) No perfect knowledge of products and other dimensions on the part of buyers and sellers.

(H) On the Basis of Demand and Supply:

Based on demand and supply conditions or hold of buyers and sellers, there can be seller‘s and buyer‘s markets. A seller‘s market is one where sellers are in driver‘s seat and the buyers are at the receiving end.

In other words, it is a situation where demand for goods exceeds supply. On the other hand, buyer‘s market is one where buyers are in commanding position. That is, supply is exceeding the demand for the goods.

CLASSIFICATION OF MARKETS—MODERN

The modern classification is based on the consumer orientation because in modern economic system consumer is the king-pin and a decisive driving force.

Accordingly, the marketing experts have identified markets based on such broad-based classification namely, consumer, business, global and, non-profit and government markets.

Consumer Markets

These markets specialize in selling mass consumer durable and nondurable products and services devote good deal of time in an attempt to establish a superior brand image. These items may be shoes, apparels, clothing, household items like television, sound system, washing machines, fans, on one hand and tea, coffee, tea powder, coffee powder, biscuits, bread spreads, dental cream, personal care beauty-aids, rice, wheat, oat, gourmet mixes and so on the other.

Much of the brand‘s strength rests on developing a superior product and packaging, ensuring its availability and backing with engaging communications and reliable service. This task of image building is really ticklish as consumer market goes on changing its colour over the period of time.

Business Markets

This is a market of business buyers and sellers. Business buyers buy goods with a view to make or resell a product to others at a profit. Therefore, business marketers are to effectively demonstrate as to how their products will help the buyers in getting higher revenue or lower costs.

Therefore, companies selling business goods and services often face well-trained and well informed professional buyers who are skills in evaluating competitive offerings.

These markets deal in raw-materials, fabricated-parts, appliances, equipments, supplies and services that become the part of end products of the business consumers. Advertising plays its due role. However, personal selling has the upper hand. Product price, quality and business suppliers‘ reputation have significant role.

Global Markets

Global markets consist of buyers and sellers all over the world. The companies selling goods and services in the global market place play global gain involving decisions and challenges.

- To be successful, they must decide as to which country to enter?
- How to enter each country?
- That is, as an exporter, license partner of a joint venture, contract manufacturer or only manufacturer, how to adapt their product and source features to each country?
- How to price their products in different countries?
- And how to adapt their communications to differing cultures of various countries?

These decisions are to be made in the face of differing requirements for buying, negotiating, owning, and disposing of property under different culture, language, and legal and political systems; and the foreign currency that is subject to fluctuations having its own implications. It is needless to say that these goods and services both consumer and industrial or business.

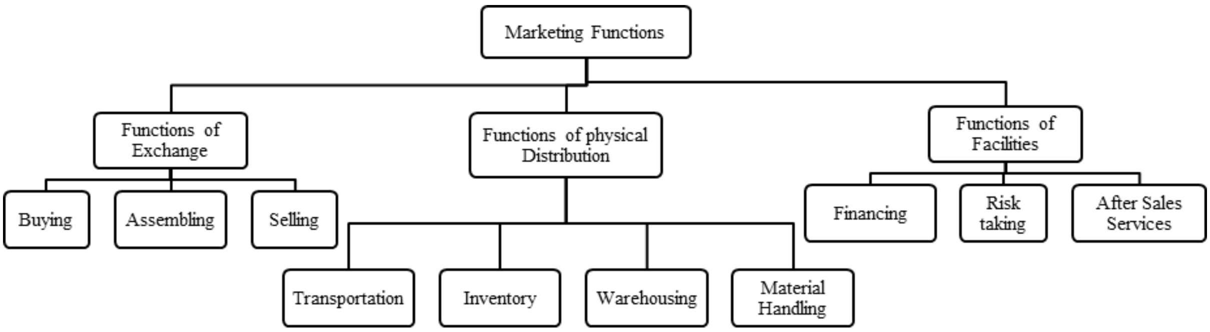
Non-Profit and Government Markets

Companies do sell their products and services to non-profit organizations like temples, churches, universities, charitable institutions and to governmental departments at local, state and central level. The companies that market their products and services have to consider the price aspect because these buyers have limited purchasing power.

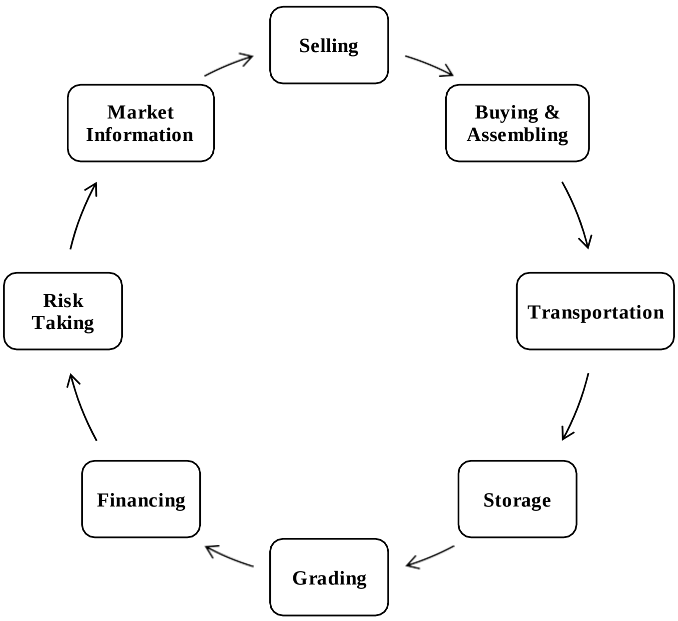
Again, lower prices badly affect the features and quality of products and services if an attempt is made to design such an offering.

Hence, these buyers buy through bidding where lowest bid is favored as there is no alternative. They also need longer period of credit.

MAJOR FUNCTIONS OF MARKETING



The marketing process performs certain activities as the products and services move from the producer to consumer. All these activities or jobs are not performed by every company. Nonetheless, it is recommended that they be carried out by any company that wants its marketing systems to function successfully.



Selling

Selling is the crux of marketing. It involves convincing the prospective buyers to actually complete the purchase of an article. It includes transfer of ownership of products to the buyer.

Selling plays a very vital part in realizing the ultimate aim of earning profit. Selling is groomed by means of personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling determines the volume of the firm‘s profits and profitability.

Buying and Assembling

It deals with what to buy, of what quality, how much from whom, when and at what price. People in business purchase to increase sales or to decrease costs. Purchasing agents are much tempted by quality, service and price. The products that the retailers buy for resale are selected as per the requirements and preferences of their customers.

Assembling means buying necessary component parts and to fit them together to make a product. ‗Assembly line‘ marks a production line made up of purely assembly functions. The assembly operation includes the arrival of individual component parts at the work place and issuing of these parts for assembling.

Assembly line is an arrangement of employees and machines in which each individual has a particular job and the work is passed directly from one employee to the next until the product is complete.

Transportation

Transportation is the physical means through which products are moved from the places where they are produced to those places where they are needed for consumption. It creates locational utility.

Transportation is very important from the procurement of raw material to the delivery of finished products to the customer‘s places. Transportation depends mainly on railroads, trucks, waterways, pipelines and airways.

Storage

It includes holding of products in proper, i.e., usable or saleable, condition from the time they are produced until they are required by customers in case of finished products or by the production department in case of raw materials and stores.

Storing protects the products from deterioration and helps in carrying over surplus for future consumption or usage in production.

Standardization and Grading

Standardization means setting up of certain standards or specifications for products based on the intrinsic physical qualities of any item. This may include quantity like weight and size or quality like color, shape, appearance, material, taste, sweetness etc. A standard gives rise to uniformity of products.

Grading means classification of standardized items into certain well defined classes or groups. It includes the division of products into classes made of units possessing similar features of size and quality.

Grading is very essential for raw materials; agricultural products like fruits and cereals; mining products like coal, iron and manganese and forest products like timber.

Financing

Financing involves the application of the capital to meet the financial requirements of agencies dealing with various activities of marketing. The services to ensure the credit and money needed and the costs of getting merchandise into the hands of the final user are mostly referred to as the finance function in marketing.

Financing is required for the working capital and fixed capital, which may be secured from three sources — owned capital, bank loans and advance & trade credit. In other words, different kinds of finances are short-term, medium-term, and long-term finance.

Risk Taking

Risk means loss due to some unforeseen situations. Risk bearing in marketing means the financial risk invested in the ownership of goods held for an anticipated demand, including the possible losses because of fall in prices and the losses from spoilage, depreciation, obsolescence, fire and floods or any other loss that may occur with the passage of time.

They may also be due to decay, deterioration and accidents or due to fluctuation in the prices induced by changes in supply and demand. The different risks are usually termed as place risk, time risk, physical risk, etc.

Market Information

The importance of this facilitating function of marketing has been recently marked. The only sound foundation on which marketing decisions depend is timely and correct market information.

MARKETING ENVIRONMENT

Marketing environment can be defined as the composition of all the factors affecting the market, marketing system and functions related to marketing.

Types of Layers

There are different layers of marketing environment. Each layer has special characteristics. Marketing environment has the following four layers:

- Organizational environment
- Marketing environment
- Macro environment
- Micro environment

Organizational Environment

An organizational environment consists of forces or institutions surrounding an organization that affect performance, operations and resources. It includes all of the key elements that exist outside of the company's boundaries and have the potential to affect a portion or all of the organization.

Marketing Environment

The market environment is a marketing term that refers to factors and forces that affect a company's behavior. By the term company‘s behavior, the company‘s ability to build and maintain successful relationships with customers, clients and all the people related to it.

Macro Environment

The term **macro** means **large**. Macro refers to large factors or vital factors like social factors, for example, male-female ratio, social changes, new lifestyle, or arrival of new thought. Examples of economic factors are per capital income, balance of payment, balance of trade, inflation rate, and gross domestic product. Other factors like geographical, cultural, political, demographical and legal factors such as competitions and technology are also included in this environment.

Examples: Geographical distribution, distance from market, age, sex, literacy etc., cultural differences, cultural change, arrival of a new tradition, government decision-making, new plans, programs & policies, government support, political disturbances and so on.

Micro Environment

The word itself describes the meaning — micro means small. So, micro environment is a composition of small factors, inside factors/nearer factors like customers, mediators like wholesaler, retailer, supplier, other stakeholders who demand something from the organization, i.e., shareholders, debenture holders, creditors, debtors, moneylenders, etc.

Micro environment also involves factors like working conditions, employees, purchase groups, local community and pressure groups.

MARKETING MIX

A marketing mix usually refers to E. Jerome McCarthy‘s 4-P classification for developing an effective marketing strategy. The four Ps are product, price, place (distribution), and promotion. Depending on the industry and the target of the marketing plan, marketing managers may take various approaches to each of the four Ps.

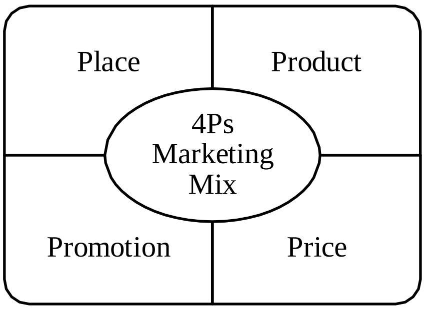
BREAKING DOWN 'Marketing Mix'

The purpose of marketing is to make the prospective customer aware of your product. The utilization of McCarthy's methods forces the marketer to refine the focus of the audience they hope to reach with their advertisement. A marketing mix helps an organization make strategic decisions when launching new products or revising existing products.

Although the four Ps can be examined independently, in practice, they are often dependent on one another.

Product refers to the item or service designed to satisfy customers' needs and wants. Questions marketing professionals ask are: What features differentiate this product from a competitors' products? How can we effectively brand the product? Can associated products be marketed with the initial product?

Price regards the sale price of the product and reflects what consumers are willing to pay for it. Marketing professionals consider costs related to research and development, manufacturing, marketing, and distribution. Basing the product's cost on these figures is known as cost-based pricing. Pricing based primarily on the consumers' perceived quality or value is known as value-based pricing.



Place or distribution refers to where the product will be sold. Careful consideration of the type of product sold is useful when determining areas of distribution. Basic consumer products, such as paper goods, are often made readily available in many stores. Premium consumer products are typically made available in select stores. Another consideration is whether to place the product in a physical store, online, or both.

Promotion refers to joint marketing campaigns, called the promotional mix, used to promote the product. Promotional activity includes advertising, sales promotion, personal selling, and public relations (PR). A key consideration should be for the budget assigned to the marketing mix. Other factors include the stage of the product's lifecycle and positioning of the product through promotion. When promoting the product, the marketing professional should carefully construct the message in a useful manner that reaches the target audience. Determination of the best mediums to communicate the message and decisions about the frequency of the communication are also important.

CONSUMER-CENTRIC MARKETING MIX

A consumer-centric marketing mix method will consist of additional elements. Customer service businesses are fundamentally different than those based primarily on a physical product. Other guidelines are needed to address the company's unique needs.

People refers to the employees who represent the company as they interact with clients or customers.

Process is the method or flow of providing service to the clients. Process will include measurement and monitoring of service performance for customer satisfaction.

Physical evidence relates to the area or space where company representatives and the customer interact. Considerations include furniture, signage, and layout.

Cost or price is the capital required to satisfy a customer's wants or needs and includes the cost to release a new product or service.

Consumer wants and needs drive the market for a product or service and are studied by marketers to promote the company's service or product.

Communication includes feedback and responses from the customer with the goal of creating an ongoing dialogue.

Convenience of place refers to the ease and the method in which the customer interacts with the company.

Traditionally, marketing commences with identifying the consumer's needs and ceases with the delivery and promotion of the final product or service. Consumer-centric marketing is a cyclical process. Reassessing the customer's needs, communicating frequently, and developing strategies to build customer loyalty are tasks within the consumer-centric marketing strategy. This form of marketing has translated into great success for many firms and is increasingly becoming a preferred method of marketing.

MARKETING SYSTEM

The participants in a market system include:

- Direct market players – producers, buyers and consumers who drive economic activity in the market
- Suppliers of supporting goods and services such as finance, equipment and business consulting
- Entities that influence the business environment such as regulatory agencies, infrastructure providers and business associations
- A market system can be specific to a product (coffee, mangoes, dairy) or a cross-cutting sector (finance, labor, business development services). A market system‘s strength depends on how well the participants obtain financing, launch businesses and adopt new technologies and best practices.

Marketing Management - Introduction

Marketing Management is an organizational discipline, which deals with the practical application of marketing orientation, techniques and methods in enterprises and organizations and with the management of a company's marketing resources and activities.

Marketing management facilitates the activities and functions which are involved in the distribution of goods and services.

It relies heavily on designing the organizations offering in terms of the target markets needs and desires and using effective pricing, communication and distribution to inform, motivate and service the market.‖ Marketing management is concerned with the chalking out of a definite programme, after careful analysis and forecasting of the market situations and the ultimate execution of these plans to achieve the objectives of the organization.

Further, their sales plans to a greater extent rest upon the requirements and motives of the consumers in the market. To achieve this objective, the organization has to pay heed to the right pricing, effective advertising and sales promotion, distribution and stimulating the consumers through the best services.

To sum up, marketing management may be defined as the process of management of marketing programmes for accomplishing organizational goals and objectives. It involves planning, implementation and control of marketing programmes or campaigns.

Marketing Management - Definition

―Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving organizational objectives.

– Philip Kotler

‒Marketing management is 'the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value‖.

– Kotler and Keller

Marketing is the process used to determine what products or services may be of interest to customers and the strategy to use in sales, communications and business development.

– Kotler et al. 1996

Marketing management is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services in order to create, exchange and satisfy individual and organizational objectives.

– The American Association of Marketing

OBJECTIVES OF MARKETING MANAGEMENT

Marketing management is the process of planning & implementing the conception, pricing, promotion and distribution of products or services. It is a target-oriented process and an operational area of management.

The following are the main objectives of marketing management −

- To satisfy the clients‘ requirements and their objectives.
- To leverage the gain for the growth of business.

- To develop customer base for the business.
- To create an appropriate marketing mix.
- To raise the quality of life of people.
- To build a good image of the organization.
- To maintain the long-run concept.

Marketing management is basically an organizational discipline, which focuses on the practical usage of marketing orientation, techniques and methodologies in companies and organizations and on the management of a firm's marketing resources and activities. Some of the other objectives are:

(1) Creation of Demand:

The marketing management‘s first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

(2) Customer Satisfaction:

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers‘ needs. Modern marketing is customer- oriented. It begins and ends with the customer.

(3) Market Share:

Every business aims at increasing its market share, i.e., the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

(4) Generation of Profits:

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

(5) Creation of Goodwill and Public Image:

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc..

Survival and Growth Amidst Intense Competition:

The marketing management must develop objectives, strategies and policies; as would help ensure the survival and growth of the enterprise amidst intensely competitive conditions. The survival of the business enterprise among intense competition becomes imperative; as; otherwise, attainment of any objectives of management would be in suspense.

Conducting Marketing Research:

Marketing research is the heart of marketing management. All marketing management decisions are based on the outcomes of such research. Therefore, marketing management must create and well maintain a specialised _marketing research cell' within the marketing department.

Development of Marketing Mix:

Marketing mix-a unique combination of various marketing ingredients like product, price, place and promotion is a practical instrument in the hands of the marketing manager to realise the objective of sales and profit maximisation. Development of an appropriate marketing mix is, therefore, a significant auxiliary objective of marketing management.

Societal Objectives:

The important societal objectives of marketing management could be stated to comprise of the following:

(i) Best Utilisation of Nation's Precious Resources:

Attainment of this social objective is possible when marketing management refrains from producing items whose consumption may be injurious to public welfare e.g. liquors, cigarettes, vulgar movies, unnecessary luxurious items etc.

(ii) Undertaking quality production at most reasonable prices; so as to enable the poorer sections of society to consumer the essential goods needed by them.

(iii) Minimizing Costs of Distribution: Marketing management should follow those marketing policies, which result in the minimization of distribution costs; so that the price payable by the ultimate consumer is the lowest possible one.

(iv) Avoiding Unfair Trade Practices:

Marketing management must be socially responsible and must avoid indulging in unfair trade practices, like the following:

1) Undertaking false advertising
2) Resorting to profiteering through black-marketing.
3) Aiming at driving the small industrialist or trader cut of market.
4) Having unfair dealings with customers and suppliers.
5) Producing defective packaging; so that the packet contains less goods or inferior quality goods contrary to specifications on the packet-label.

(v) Emphasis on After-Sales Service:

Marketing management must pay utmost attention to after-sales services-free of cost; so that consumer does not feel being fleeced by the manufacturer or trader.

CHARACTERISTICS OF MARKETING MANAGEMENT:

The important characteristics of marketing management may be obtained as under:

1) Marketing is a specialized business function. In the early days, the selling function did not call for any specialized skills as the sales could have been affected on production-basis. But at present, the business environment has undergone tremendous changes in social, economic, political and cultural aspects. The management of a firm, therefore, has to develop a particular organization with a view to absorbing new ideas, new approaches and new market demands.
2) Marketing is a social function. It requires constant interaction with the various strata of society. It is instrumental in manipulating the factors of production, distribution, promotion and price, and also in influencing the patterns of consumption and consumer attitudes.
3) Marketing is an integrative function. It integrates and combines the other business functions like production, finance, personnel etc. with a view to accomplishing the organizational objectives.
4) Marketing reflects the business mission of a firm before the public and society.
5) It is said that change is the only basic law of economics. Marketing, which is the art of distributing the products and services among the various claimants, has also only one basic law, change.
6) Marketing is an universal function. It has an universality in the sense that it can be applied to both profit-motive and non-profit motive organizations. A profit-seeking business unit is dependent on marketing. The institutions like hospital, school, and political association also practice marketing in popularizing the services offered by them.
7) Marketing is a management function like the management of other functions such as production, finance, personnel etc. The business policies, strategies and programmes related to marketing are mostly of managerial functions. These are needed to be planned, organized, directed, coordinated and controlled so as to achieve the marketing objectives. The study of marketing management is nothing but the critical evaluation of various marketing functions.

The functions necessary to determine consumer wants and needs and to supply necessary goods and services to meet those demands can be broadly classified as follows:

(a) Marketing Research:

Marketing research is the careful and objective study of product design, markets and other activities such as physical distribution, warehousing, advertising and sales management. Its main aim is to provide management with factual information as a basis for marketing decisions and actions. The major areas in which marketing research helps management to formulate its policies are: products, markets, marketing policies and sales methods.

(b) Product Planning Development:

Product planning is the act of making out and supervising the search, screening development and commercialization of new products, the modification of existing lines and discontinuance of unprofitable products. Business concerns must satisfy consumer‘s wants and needs for their continued existence. This existence is assured by offering products and services that meet consumer requirements. Hence, product planning is a very important function.

(c) Standardization and Grading:

Standardization is the process of setting up standards, and manufacturing products in conformity with those standards and includes the process by which this conformity is assured. Thus, it ensures the uniformity of size, shape, design, colour and physical properties of the product. Grading is a part of the process of standardization. It is the process of storing out goods into a number of grades or classes according to some characteristics such as quality and size. It helps not only the producer but the sellers and consumers also.

(d) Product Pricing:

Pricing is a very important and crucial decision as it affects all the parties involved in the production, distribution and consumption of goods. Price of the product affects volume of production and the amount of profit. It is the source of income to the distributors of the product. Hence, the marketing manager has to take pricing decisions very carefully.

(e) Packaging:

Packaging is also an important marketing function. A package is used to contain, protect and identify a product. Besides, it is an important sales tool which makes a product attractive and attention-captivating. Good and attractive packing is a plus- point in facilitating the sale of a product. Hence, the marketing manager has to take decision regarding the type and material of packing, its shape, size, design and colour etc.

(f) Advertising and Sales Promotion:

Advertising is a method of business communication to the prospective customers. Such communication includes information about business institution, its products, product qualities, the time and place of availability etc. The main object of advertising is to promote the sale of products. The marketing manager has to take a number of decisions relating to advertising such as selection of a suitable and economical medium, planning advertising programme, preparing the advertising budget etc.

(g) Distribution Management:

Distribution of products is also an important function of marketing management. It involves the decision to channels of distribution and their management. A long series of middlemen-sole selling agent, wholesalers and retailers etc. work between the producer and consumer. The marketing manager has to manage all these distribution channels.

(h) Management of Sales Forces:

Personnel are very important component of marketing activity. The success of a business concern depends considerably upon the performance of its salesmen. Salesmen play a crucial role in communicating company and product information to customers. Hence, the company should have a trained sales force. Marketing manager will be intimately concerned with the task of selection, orientation, training, supervision, motivation, compensation and evaluation of the sales force of the company.

In the words of Pride and Farrel, ―Marketing management is a process of planning, organizing, implementing and controlling marketing activities in order to effectively and efficiently facilitates and expedites exchanges. The effectiveness and efficiency dimensions are two important components.‖

SCOPE OF MARKETING MANAGEMENT

(1) Setting Marketing Goals:

The prime task of marketing manager is to set marketing goals and objectives. Clearly and precisely defined objective can help marketing manager to direct marketing efforts effectively. The goals and objective (whether strategic and operating, or short-term and long-term) must be suitably communicated with the employees concern. As far as possible, objectives should be expressed in the quantifiable terms.

(2) Selecting Target Market:

Segmenting the total market and selecting the target market is a fundamental task of marketing management. Modern marketing practice is based on the target market, and not on the total market. Marketing manager cannot satisfy the needs and wants of entire market. He must concentrate his efforts only on well-defined specific groups of customers, known as the target market. All the marketing functions are directed to cater needs and wants of the target market only. Based on company‘s overall capacity, the target market should be selected.

(3) Formulating Suitable Marketing Organization:

To implement marketing plan, a suitable organization structure is essential. On the basis of analysis of type of products, type of market, geographical concentration of market, and many other relevant factors, appropriate organization must be designed. Various alternative structures are available, such as product organization, geographic organization, functional organization, matrix organization, etc. Based upon requirements, the appropriate structure should be prepared and modified as per needs.

(4) Maintaining Healthy Relations with other Departments:

Marketing department needs cooperation from other departments of organization, including financial department, personnel department, and production department, to satisfy customers effectively. Their support is considered to be important to satisfy consumers. Thus, for integrated efforts, marketing manager should try to establish good relations with them. Likewise, within marketing department, he must establish coordination among various personnel.

(5) Establishing and Maintaining Profitable Relations with Outside Parties:

Alike internal support, the external relations are also extremely necessary. Marketer, in order to carry out marketing activities effectively, must establish and maintain healthy relations with various parties, such as suppliers, service providers, government agencies, dealers, consultants, and so forth. Without their support, marketing manager cannot carry out functions successfully. Due to important role of external relations, contemporary marketing practices can be said as relationship marketing.

(6) Marketing Research Activities:

Marketing research is one of the important functions of modern marketing. Marketing research involves systematic collection, analysis, and interpretation of data on any problem related to marketing. It provides the manager with valuable information on which marketing decisions can be taken. Marketing research is essential to know adequately about consumers and market situation. It is a basic function to satisfy consumers. Marketing efforts are based on the marketing research information.

(7) Sales Management:

Sales management is one of the important functions of marketing management. Sales management concerns with planning, implementation, and controlling selling efforts. It performs all the activities directly related to execution of sales.

Sales department carry out selling functions. Sales department formulates sales policies, ensures adequate quantity of products, maintains sales records, formulates structures for sales department, manages sales force (salesmen), and controls selling efforts.

(8) Exercising Effective Control on Marketing Activities:

Control is essential to ensure that activities are performed as per plan. Control involves establishing standards, measuring actual performance, comparing actual performance with standards, and taking corrective actions, if needed. Control keeps the entire marketing department alert, active, and regular. Marketing manager should set up an effective controlling system to monitor marketing efforts.

IMPORTANCE OF MARKETING MANAGEMENT

Marketing management has gained importance to meet increasing competition and the need for improved methods of distribution to reduce cost and to increase profits. Marketing management today is the most important function in a commercial and business enterprise.

The following are the other factors showing importance of the marketing management:

(i) Introduction of new products in the market.

(ii) Increasing the production of existing products.

(iii) Reducing cost of sales and distribution.

(iv) Export market.

(v) Development in the means of communication and modes of transportation within and outside the country.

(vi) Rise in per capita income and demand for more goods by the consumers.

COMPARISON OF SALES AND MARKETING MANAGEMENT

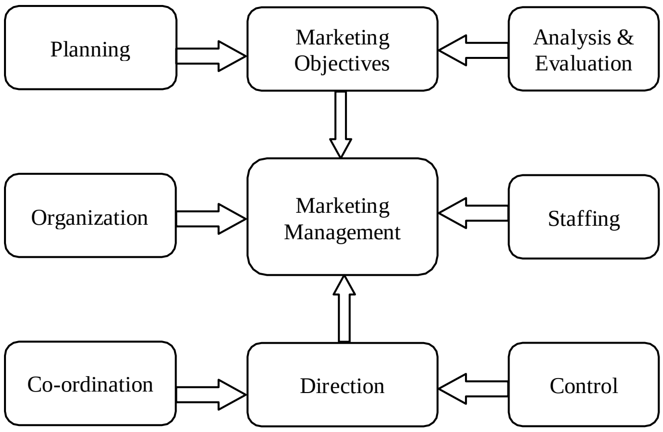
Basis for Comparison	Sales	Marketing
Meaning	The act of transfer of ownership of a product from the manufacturer to the ultimate customer in exchange of money or any other consideration is known as Sales.	Marketing understands the requirements of the customers in such a way that whenever any new product is introduced, it sells itself.
Orientation	Product-oriented	Customer-oriented
Approach	Fragmented approach	Integrated approach
Focus	Company needs	Market needs
Scope	Related to flow of goods to customers	Related to all the activities which facilitate flow of goods to customers.
Duration	Short term	Long Term
Objective	To instigate shoppers in such a way that they turn out as buyers.	To identify the needs of customers and create products to satisfy those needs
Relationship	One To One	One to Many
Target	Individual or small group	General Public
Scope	One product is created to satisfy the requirement of a customer.	Advertisement, Sales, Research, Customer satisfaction, After sales services etc.
Activity related to	Persons	Media
Process	Involves exchange of goods for adequate consideration	Entails identifying and satisfying customer's needs
Rule	Caveat Emptor	Caveat vendor

FUNCTIONS OF MARKETING MANAGEMENT

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

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

Marketing Management focuses upon the psychological and physical factors of Marketing. The Marketing managers are responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. While the psychological factors focus upon discovering the needs and wants of the consumer and the changing patterns of buying behavior, habit etc. the physical factors focus upon fulfilling those needs and demands buy better product design, channel of distribution and other functions. In summary, Marketing in action is marketing Management.



Following is a brief summary of functions of Marketing

Marketing Objectives

Marketing management determines the marketing objectives. The marketing objectives may be short term or long term and need a clear approach. They have to be in coherence with the aims and objectives of the organization.

Planning

After objectively determining the marketing objectives, the important function of the marketing Management is to plan how to achieve those objectives. This includes sales forecast, marketing programmes formulation, marketing strategies.

Organization

A plan once formulated needs implementation. Organizing functions of marketing management involves the collection and coordination of required means to implement a plan and to achieve pre determined objectives. The organization involves structure of marketing organization, duties, responsibilities and powers of various members of the marketing organization.

Coordination

Coordination refers to harmonious adjustment of the activities of the marketing organization. It involves coordination among various activities such as sales forecasting, product planning, product development, transportation, warehousing etc.

Direction

Direction in marketing management refers to development of new markets, leadership of employees, motivation, inspiration, guiding and supervision of the employees.

Control

Control refers to the effectiveness with which a marketing plan is implemented. It involves the determination of standards, evaluation of actual performance, adoption of corrective measures.

Staffing

Employment of right and able employees is very crucial to success of a market plan. The market manager coordinates with the Human Resource Manager of an organization to be able to hire the staff with desired capability.

Analysis and Evaluation

The marketing management involves the analysis and evaluation of the productivity and performs mace of individual employees

DEMAND FORECASTING

Demand forecasting is an essential activity in sales and marketing. The demand forecasting has to be done so that the company does not store huge inventories and at the same time, does not under utilize its operation setup. By taking into considerations the various types of demand in the market, the firm can thereby have a proper forecast and can plan its inventories accordingly, meeting the objectives of the firm.

There are mainly 8 types of demands in Marketing which have to be taken into consideration by the marketing manager during demand forecasting. The various types of demands, and how to tackle the challenges for marketers in these various demands, are discussed below.

(1) Negative Demand

Negative demand is a type of demand which is created if the product is disliked in general. The product might be beneficial but the customer does not want it.

Example of negative demand is a) Dental work where people don‘t want problems with their teeth and use preventive measures to avoid the same. b) Insurance, which people should have but they delay buying an insurance policy. The marketer has to solve the issue of no demand by analyzing why the market dislikes the product and then counter acting with the right marketing tactics.

(2) Unwholesome demand

Unwholesome demand is the other side of Negative demand. In negative type of demands, customer does not want the product even though product might be necessary for the customer. But in unwholesome demand, the customer should not desire the product, yet the customer wants the product badly. Best examples of unwholesome demand are cigarettes, alcohol, pirated movies, guns etc.

(3) No demands

Certain products face the challenge of no demand. The best example for the same can be education courses where there is very low demand or no demand at all. Such cases are very hard to counter.

(4) Latent Demand

Latent demand is, as the name suggests, a demand which the customer realizes later. Thus, while buying the product, he might not desire some features. But later on, he might think about those features and buy the product. The best example of latent demand is normal phones vs smart phones.

People nowadays want more and more features in the Smartphone. They might settle for a normal phone, but then later on they get the itch to buy a smart phone. Similarly, people might buy a petrol car. But most likely their second car will be a diesel car. A marketing manager‘s job is to find out the features which people might be looking for later and market them to the customer in such a manner that he immediately wants them.

(5) Declining demand

Declining demand is when demand for a product is declining. For example, when CD players were introduced and IPOD came in the market, the demand for walkman went down. Although there was still a demand for the product, the demand was a declining demand. A marketer‘s job in such a case to think ways to revive the product so that the demand is not declining.

(6) Irregular demand

Irregular demand can be demand which is not consistent. The best example of irregular demand is seasonal products like umbrellas, air conditioners or resorts. These products sell irregularly and sell more during peak season whereas their demand is very low during non seasons. The best way to counter irregular demand is to introduce incentives for the customer to buy the product.

(7) Full demand

In an ideal environment, a company should always have full demand. Full demand means that the demand is meeting the supply potential of the company. It also means that the markets are happy with the products of the company and that people want to buy from the same company. The marketing challenge in this type of demand is to maintain the same level of interest in the product and the company.

(8) Overfull demands

Overfull demands happen when the companies manufacturing capacity is limited but the demand is more than the supply. This can be observed in the cement industry occasionally. Generally, most cement industries have limited manufacturing capacity. And hence, brand switching in cement industry is high. Many companies use de-marketing techniques to counter act overfull demands. This is because if the company keeps marketing, but it is not able to supply the material, then the company might suffer badly in brand equity.

Above are the 8 types of demand which a marketing manager has to forecast and manage at all times. Each type of demand has its own challenges and the marketing manager needs to be quick on his feet to manage all the different type of demands.

MARKETING ORGANIZATION

The Marketing organization is the vehicle for making decisions on all marketing areas viz. products, marketing channels, prices physical distributions and promotions. It establishes the authority relationships among marketing personals and specialists who are responsible for making marketing decisions and planning that are essential for the success of any business firm.

Marketing organization is an organizational structure which implements the policies of the enterprise, helps in taking decisions regarding production, packing, price, advertisement, sales promotion, brand, trade mark and channels of distribution etc. and helps in making marketing activities of the enterprise suitable to the needs and specifications of the marketing and helps in implementing the decisions so that predetermined objectives of the enterprise may be achieved.

Need for Marketing Organization

In the technological arena, modern marketing activities are consumer oriented. Thus, to sustain in the competitive market, the business enterprise requires a marketing organization that can take decision on the marketing factors viz. product, price, promotions, etc. to satisfy the needs and desires of customers and maximize profit of the enterprise.

Therefore, a sound marketing organization is the pillar for success for any business enterprise and provides a framework to establish an authority among the sub ordinates, locate responsibility, establish sales routines, enforces proper supervision of sales force, avoid repetitive duties and enable the top executives to devote more time for planning policy matters.

Importance of Organization

The sound organization can contribute to the success of an enterprise in the following ways:-

Facilitates Administration

Organization provides the framework within which the functions of co-ordination and control can be performed effectively. It increases managerial efficiency, avoid delay and duplication of work, motivates employees, etc. It provides a system of authority and a network for effective communication.

Optimum use of resources and new technology

In the business enterprise, an optimum use of technological improvements can be made through a sound structure. In addition, a sound organization permits optimum use of human resources and ensures that every individual is placed on the job for which it is best suited.

Helps in the growth of enterprise

The sound organization enables an enterprise to grow. The systematic division of work and delegation of authority facilitate to take up new activities and meet public demands of the market.

Facilitates co-ordination

The sound organization assigns right job to right person, improves job satisfaction and interpersonal relations. The well-defined job and clear line of authority and responsibility helps to establish cordial relations between the different departments or divisions of an enterprise. The division of labor, better utilization of technology and human talent, etc. helps to improve the efficiency and quality of work.

Stimulates creativity and innovation

A well-designed organization stimulates creative thinking and initiative on the part of employees. It provides for effective management of change and responds favorably to changes in the environment.

Principles of Organization

Following are the important principles of organization which are mentioned here:

Unity of Objectivity

The attainment of objectives is the main purpose of the organizing. An organization and every part of it should be directed towards the accomplishment of objectives. Every member of the organization should be familiar with the common objectives or goals. Thus, the organizational goals, departmental goals and individual goals must be clearly defined.

Efficiency

An organization is efficient if it is able to accomplish pre-determined objectives at minimum possible cost. An organization must also provide maximum possible satisfaction to its employees and should also contribute to the welfare of the community.

Division of Work

For the sound and effective organization, the total task should be divided in such a manner that the work of every individual in the organization is limited and the work should be assigned to the right person according to his physical, mental and psychological capacities.

Span of Control

Due to limitation of time and ability, no executive can effectively supervise more than a particular number of subordinates. Therefore, every executive should be asked to supervise a reasonable number of executives depending upon his ability, his job, the complexities of duties of his sub-ordinates, the nature and importance of work to be supervised, etc.

Scalar Principle

It is sometimes also known as the chain command. According to the principle, the authority and responsibility should be in a clear line from the top to the bottom of the organization. The more clear the line of authority in an enterprise, the more effective will be communication and responsible decision making.

Delegation

The authority delegated to an individual manager should be adequate to enable him to accomplish results expected of him.

Functional Definition

The duties, responsibilities, authorities and organizational relationships of an individual working on a particular position should be clearly defined so that there is no confusion. The clearly defined duties and authorities of an individual will contribute towards the accomplishment of objectives more effectively.

Authority and responsibility

It is the tool by which a manager is able to create an environment for individual performance. Thus, the authority and responsibility of each manager and supervisor should be clearly defined. Every manager should be held responsible for the acts of his subordinates as well as his own acts.

Unity of Command

The subordinates should receive orders from only one supervisor and no one should be accountable to more than one boss at a time. This will avoid confusion, disorder and indiscipline. Thus, this principle creates the feeling of personal responsibility and avoids the problems of conflicts.

Unity of direction

For the sound and effective organization, there must be one head and one plan for group of activities directed towards the same objectives.

Co-ordination

There must be an orderly arrangement of group effort and unity of action and co-ordination of activities at various levels.

Flexibility

The organization structure should be flexible so that it can be easily adjusted to changing conditions. The organization structure should permit expansions, mergers and replacements, etc. without disturbing the basic design.

Continuity

The organization should be so structured as to have continuity of operations.

Communication

For the sound and effective organization, the effective communication is necessary. It is the process of transformation of information from one person to another of different levels. It involves the systematic and continuous process of telling, listening and understanding opinions ideas, feelings, information, views, etc. of employees of the organization.

Simplicity

For the better communication and co-ordinations, the levels of the organization should be kept as minimum as possible. This principle focuses on the simplicity of an organizational structure.

FUNCTIONS OF MARKETING MANAGER

A marketing manager is someone who manages the marketing resources of a business or product. He may be responsible for various products and services or be in charge of a single product or service. A manager needs to have a friendly, social and spontaneous nature. In accord with these attributes, he needs to be highly focused, detail-oriented and very scrupulous of meeting budget restraints and timelines.

Work with top management

The main function of marketing manager is to work with top management. He is to assist the top management in determining the marketing plans and policies so that all the problems of the process of planning may be removed and sound plans and policies may be formulated.

Supervise and coordinate business activities

A marketing manager has to establish effective co-ordination among the business activities of purchase, sale, packing, storage, transportation, advertisement, sales promotion, after sale-services, etc.

Identify Potential Markets

To create and increase the demand of the goods and services produced by the enterprise, the marketing manager has to identify new potential markets and also has to maintain the relationships among the existing markets for their enterprise and its products.

Evaluate the Product

In the technological arena, the needs and demands of the customers changes time to time. Thus, it becomes necessary for the marketing manager to study all these changes and evaluate the product periodically so that necessary modifications and alterations may be made in the product.

Launch new product or services

To attract new customers and retain old customers, marketing manager study needs and demands of the market. According to it, he launches new goods and services to satisfy the existing customers and to attract new customers (or consumers).

Select the Channels of Distribution

The physical distribution of goods and services through many channels viz. wholesalers, retailers, etc is decided by the marketing manager. As per the needs of the firm, he selects the specific channel and supplies the finished products from producers to consumers.

Create a market plan

According to the marketing nature of the firm, the marketing manager creates an action plan to determine when, how, where and by whom the marketing activities viz. sales forecast, advertisement, sales promotion, distribution of products, etc. should be carried.

ORGANISATION STRUCTURE

Organisation is the vehicle for accomplishing the goals and objectives of the business. Organisation is essential, when human beings have to collaborate and work for a common purpose. In fact, an organization is often defined as –a group of persons working together towards the attainment of certain common objectives.‖ When the enterprise expands, some pattern of organization should be adopted. Generally, the following are the types of organization.

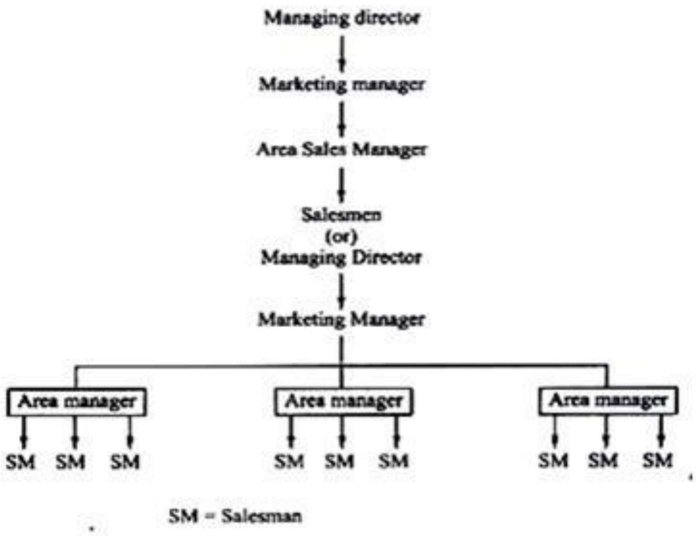
(1) Military Type of Organisation:

This is the simplest and oldest form of organization. It is also referred as line organisation, scalar or hierarchical organization. Under this type of organization, a superior delegate‘s authority to a subordinate, who in turn delegates authority to another subordinate and so on. Authority descends from the top to the bottom level, through downward delegation of authority. Subordinates become responsible to their immediate superiors. The topmost management has full control over the entire field.

Suitability:

This form is suitable:

1) If the business is comparatively small.



2) If the labour management problems are easy to solve.
3) If the processes are easily directed.
4) If the work is of a routine nature.

Merits:

1) It is simple to work.
2) It is economical and effective.
3) It is easy to fix responsibility.
4) It facilitates quick decisions and prompt actions.
5) Quick communication is easy.
6) Discipline can easily be maintained.

Demerits:

1) The organisation is rigid and inflexible.
2) It works on a dictatorial basis.
3) Departmental heads act on their own whims and desire, as it is difficult to secure coordination of the activities of workers and departments.
4) In big business it does not operate satisfactorily.

(2) Functional Type Organisation:

The limitations of line organisation have been removed under this system. All types of work of the organisation are grouped and managed by the top executive. There are separate functional departments for major functions of the enterprise; example personnel department, purchase department etc. Each department does its function for the entire organisation. Sales department does the function for the whole enterprise. The functional organisation works through the line organisation. Functional organisation is based on expert knowledge and makes the greatest use of division of labour resulting in high efficiency and specialization.

Merits:

1) Greatest use of division of labour is possible.
2) The system is based on expert knowledge.
3) Functional efficiency of the worker can be maintained.
4) Mass production is made by standardization and specialization.
5) Separation of mental and manual functions is possible.
6) Methods and operations can be standardized.

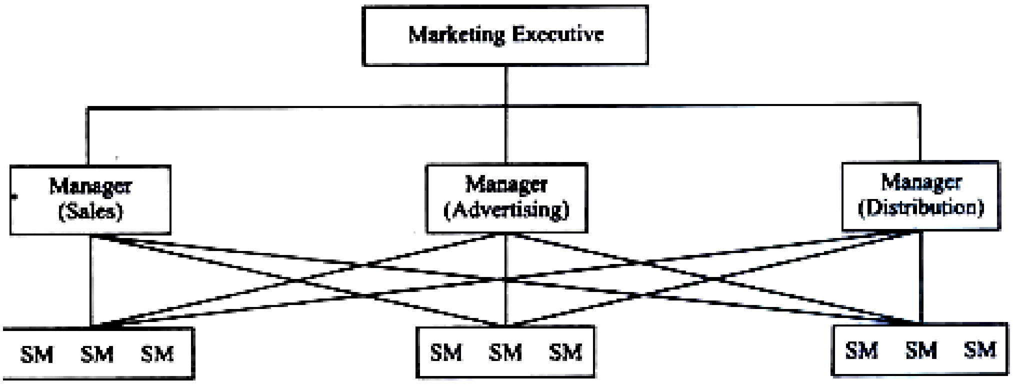
Demerits:

1) Too many experts and bosses (high officials) create confusion in the mind of the worker.

2) It is difficult to fix responsibility on workers.

3) Discipline and morale of the workers are seriously affected, because of contradictory orders from different experts.

4) There is heavy overhead expense.



Functional Type

(3) Line And Staff System:

In this type, the organisation is based on the line organisation and the functional experts advise the line officers as to the functions of the enterprise. The line officers are the executives and the staff officers are their advisers. Though the staff officers do not have the power to command the line officers, their advice is generally adhered to.

The combination of organisation with this expert staff forms the type of organisation-line and staff. The _line‘ keeps the discipline and the staff provides expert information. The line gets out the production and the staff carries on research, planning, fixing standard etc. This type of organisation is suitable for large concerns.

The line officers give orders, decisions etc., to subordinates in consultation or guidance with the staff officers. The underlying idea of this method is that specialized work is to be left to experts who will give advice on specialized groups-investigation, research etc. The staff officers who have no executive positions in the concern, but are only the thinkers, while the line officers are the doers.

Merits:

1) This type is based on specialization.

2) It brings expert knowledge of the whole concern.

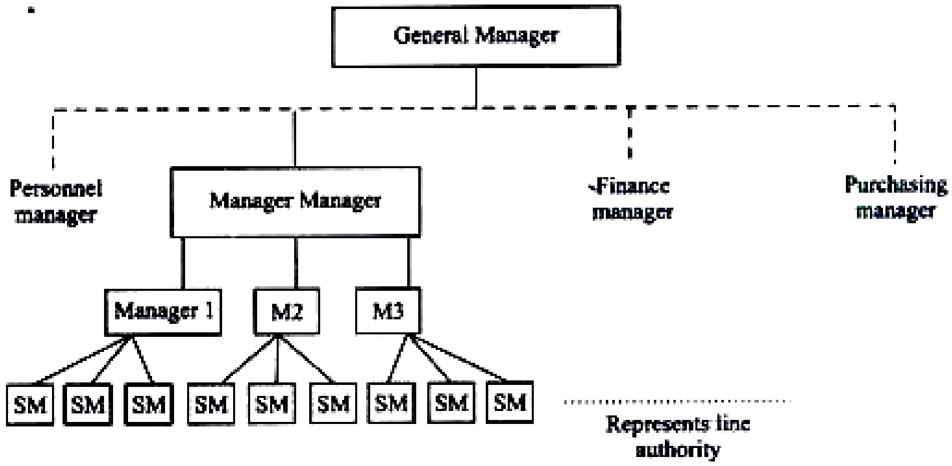
3) Increased efficiency of operations may be possible

4) Mass production is possible.

Demerits:

1) There arises confusion unless the duties and responsibilities are clearly indicated by charts and office manuals.

2) Advice and, expert information are given to the workers through the line officers. It is possible that the workers may misunderstand or misinterpret.



(4) Committee Organisation:

Committee organisation is widely used for the purpose of discharging advisory functions of the management. Committees are formed in different levels of organisation. A committee is a group of people who meet by plan to discuss or make a decision on a particular subject. Because of its advantages, committee organisation is preferred. The management committee usually consists of General Manager and departmental heads to deal with current problems. A co-ordinated plan is agreed to in a meeting. Thus group judgement is possible to attain an aimed result.

For a successful committee organisation, the following hints may be noted:

1) Number of individuals is to be kept at a minimum, so as to function effectively. If there are many members, it will cause lengthy discussions and delayed decisions.

2) The chairman of the committee must have full control over the members, while they are in meeting.

3) There must be a proper agenda, arranged in order of importance.

4) All the members are to be informed before the meeting about the points to be discussed, so that they may prepare for the meeting.

5) The meeting must be started on time and must end on time.

Merits:

1) It stimulates co-operative action.

2) It can promote better understanding.

3) A problem is discussed in detail and decision taken.
4) It facilitates co-ordination of activities of various departments.
5) Group discussion and decision will bring better results.
6) It gives demographic management.

Demerits:

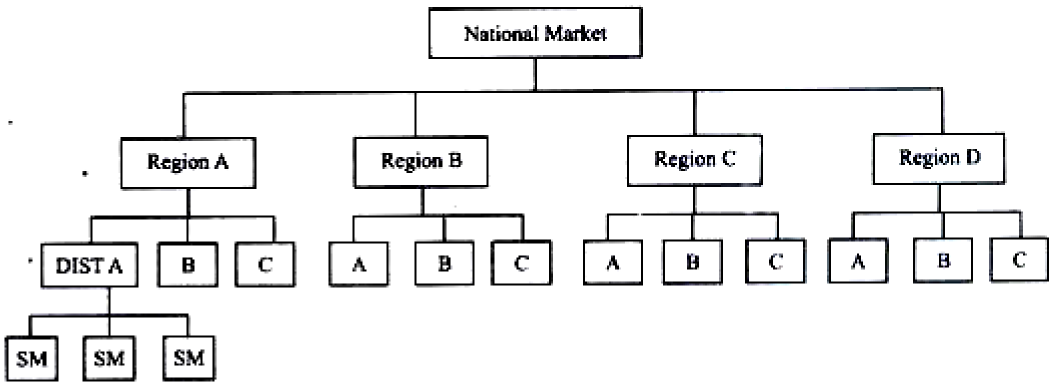
1) Committees are expensive.
2) Committee weakens individual responsibility.
3) Committee may sometimes become time-consuming rather than time-saving.
4) Responsibility cannot be fixed on any person.
5) It lacks secrecy.

(5) Geographical Type:

The structure is based on territorial or regional basis. When business activities are expanded, the various parts of the market area are divided into territories. The whole world into continents, continent into regions, region into zones, zone into districts etc. This type of organisation gives importance to the consumer‘s needs and desire, especially in pharmaceutical companies.

In this way, the market is fragmented into different sales territories like national market into regions, region into districts, district into areas as shown in the chart next. Salesmen are controlled by the respective district sales managers (DSM), DSM are controlled by their regional sales manager (RSM), RSM are controlled by the marketing executive.

This type of organisation enjoys the knowledge of likes and dislikes of people in the particular areas. A firm can modify or alter the products, on the basis of the needs of the buyers who are represented by sales manager. The competitors can be counteracted soon.



Merits (Geographical Type):

1) Geographical type of divisions allow a manager to pay special attention to the needs and problems of the local markets.

2) Geographic type of organisation provide opportunities for local talent to be utilized.

3) Geographic division helps managers gain extensive knowledge of diverse activities.

4) This type of organisation improve an organization‘s relationship with customers.

Demerits (Geographical Type):

1) This type of organisation require more people to work.

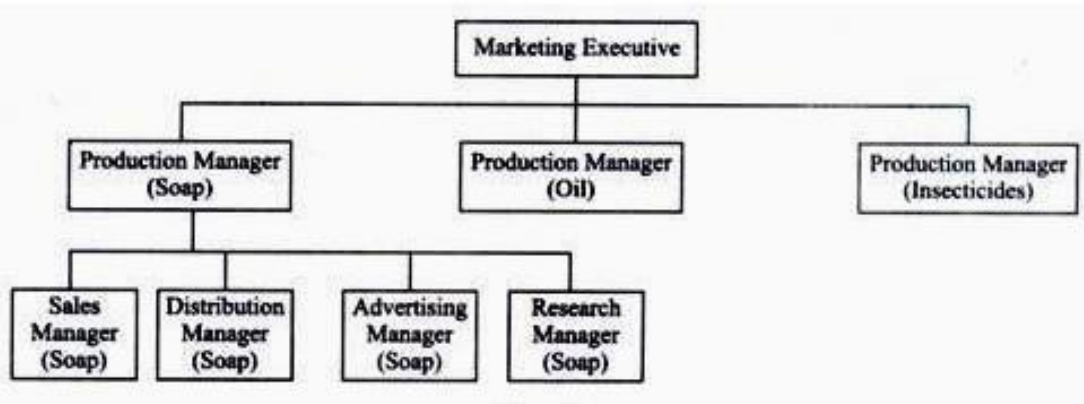
2) There arise communication problems.

3) Cost of operations are high.

4) Top managers at HO find it difficult to control and supervise the activities in different locations.

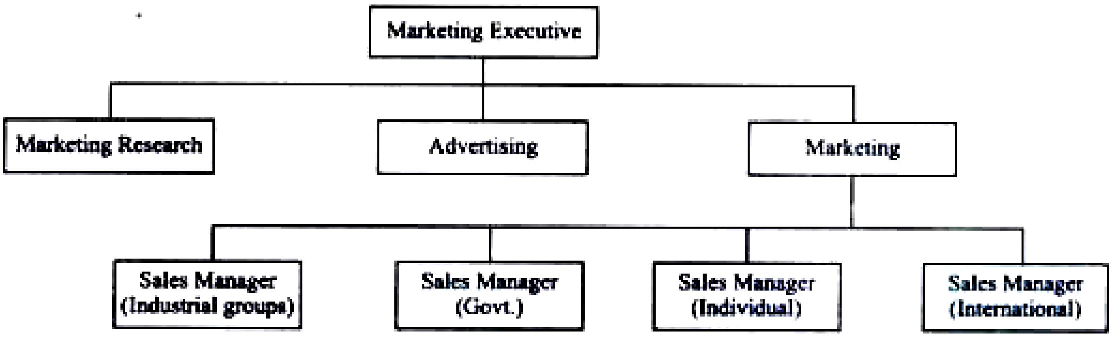
(6) Product Type:

Certain companies produce different varieties of products and it is advantageous to boost the sales on the basis of product or product groups. A separate product manager is appointed for each product. He attends to the production and marketing of his products when the market is competitive, the product type organisation with the product manager can concentrate its attention on the performance of a particular product or brand. Sales promotion, advertising, marketing research etc., remain as the centralized activity for the product group.



(7) Market Type (Consumer)

This type of organisation is based on the different types of customers. The enterprises have adopted customer-oriented marketing and thus there arise two sets of organisations through which the needs of customers or market are met; i.e., subdivision of markets on the basis of government and non-government customers, industrial individual customers, rich and poor customers and on the basis of sex, income, taste, age etc. A firm may have different groups of customers, who have different needs and problems. Thus, each section can look into the needs of each group of consumers and facilitate their buying-wholesale section, retail section etc.



Merits (Consumer type):

1) This type of organisation can encourage consumers with clearly defined services.
2) The specialists can understand the needs of a particular segment of customers.
3) This type of organisation is useful to serve different type of customers.

Demerits (Consumer type):

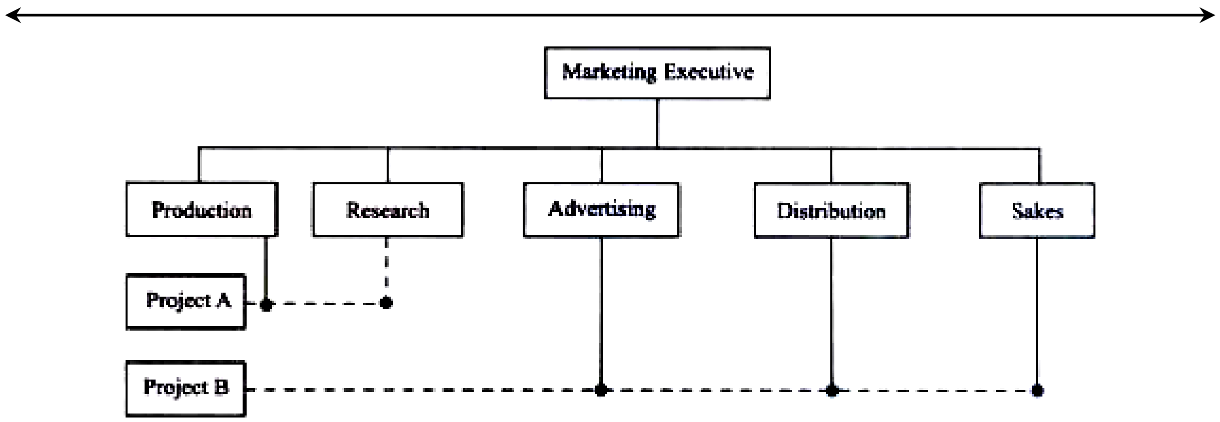
1) Coordination between sales and other functions of marketing is difficult.
2) More man-power is required thus expenditure is high.

(8) Matrix Type

Matrix organisation is also known as grid or project organisation. Matrix organisation is created by merging the two or more complementary organisations, say, purchase section and sales section. A team may be set up within the existing organisation, to conduct a study of a particular product or design or to complete a specific assignment in time.

A project manager has a project team consisting of people from several functional sections. For instance, a project team is formed to market the television, and for this people will be drawn from different functional departments, say, production, research, marketing, engineering etc.

These specialists are drawn from respective departments, borrowed to perform their part in the project work. When the project work is complete, they go back to their respective departments. This type of organisation is needed when a special type or urgent assignment of jobs or complicated job or a new product etc., is introduced. Generally, such organisation may be temporary.



Merits:

1) Specialized product knowledge is acquired.
2) It is economical to draw experts from various sections.
3) Expansion, improvements, diversification etc., are the result.
4) The chances of success of the project are higher.
5) It allows effective use of resources.

Demerits (Matrix type):

1) Administrative costs are high.
2) Workers under this type have to report to two bosses.
3) There arise conflicts between functional managers and project managers.

One may adopt any of the organization structures for organizing the marketing operations; it should be goal-oriented and flexible. It must have scope for possible future growth. Market conditions change very frequently. Marketing structure should be capable of accommodating all the changes and marketing people should be dynamic to take up various sales job assignments and marketing challenges. The adopted marketing organization structures should provide for the formulation of marketing policies and programmes from the bottom to the top and every marketing person should have an opportunity for participation in it.

UNIT - 2

AGRICULTURAL MARKETING AND CONSUMERISM

AGRICULTURAL MARKETING

The term agricultural marketing is composed of two words – agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing encompasses a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all activities involved in the creation of time, place, form and possession utility.

Agricultural marketing refers to all those processes which relate to taking the agricultural product from the farmers to the consumers. Agricultural marketing includes gathering the agricultural produce, their standardization and grading, their storage, sending them to the market through various middlemen, selling in the market and arranging the required finance etc.

According to the National Commission on Agriculture (XII Report, 1976), agricultural marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre and post -harvest operations, assembling, grading, storage, transportation and distribution.

Agricultural marketing system in developing countries including India can be understood to compose of two major sub-systems viz., product marketing and input (factor) marketing. The actors in the product marketing sub-system include farmers, village/primary traders, wholesalers, processors, importers, exporters, marketing cooperatives, regulated market committees and retailers. The input sub-system includes input manufacturers, distributors, related associations, importers, exporters and others who make available various farm production inputs to the farmers.

IMPORTANCE OF AGRICULTURAL MARKETING

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic development. For this reason, it has been described as the most important multiplier of agricultural development. The importance of agricultural marketing in economic development is revealed from the following:

(i) Optimization of Resource use and Output Management

An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well-designed system of marketing can effectively distribute the available stock of modern inputs, and thereby sustain a faster rate of growth in the agricultural sector.

(ii) Increase in Farm Income

An efficient marketing system ensures higher levels of income for the farmers reducing the number of middlemen or by restricting the cost of marketing services and the malpractices, in the marketing of farm products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase. It results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market-outlet where he can sell his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is, therefore, very important, and this can be made possible only by streamlining the marketing system.

(iii) Widening of Markets

An efficient and well-knot marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

(iv) Growth of Agro-based Industries

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of the economy. Many industries like cotton, sugar, edible oils, food processing and jute depend on agriculture for the supply of raw materials.

(v) Price Signals

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy. This work is carried out through transmitting price signals.

(vi) Adoption and Spread of New Technology

The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance at remunerative price.

(vii) Employment Creation

The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation, storage and processing. Persons like commission agents, brokers, traders, retailers, weighmen, hamals, packagers and regulating staff are directly employed in the marketing system. This apart, several others find employment in supplying goods and services required by the marketing system.

(viii) Addition to National Income

Marketing activities add value to the product thereby increasing the nation's gross national product and net national product.

(ix) Better Living

The marketing system is essential for the success of the development programmes which are designed to uplift the population as a whole. Any plan of economic development that aims at diminishing the poverty of the agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste has, therefore, to pay special attention to the development of an efficient marketing for food and agricultural products.

(x) Creation of Utility

Marketing is productive, and is as necessary as the farm production. It is, in fact, a part of production itself, for production is complete only when the product reaches a place in the form and at the time required by the consumers. Marketing adds cost to the product, but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

- **(a) Form Utility:** The processing function adds form utility to the product by changing the raw material into a finished form. With this change, the product becomes more useful than it is in the form in which it is produced by the farmer. For example, through processing, oilseeds are converted into oil, sugarcane into sugar, cotton into cloth and wheat into flour and bread. The processed forms are more useful than the original raw materials.
- **(b) Place Utility:** The transportation function adds place utility to products by shifting them to a place of need from the place of plenty. Products command higher prices at the place of need than at the place of production because of the increased utility of the product.
- **(c) Time Utility:** The storage function adds time utility to the products by making them available at the time when they are needed.
- **(d) Possession Utility:** The marketing function of buying and selling helps in the transfer of ownership from one person to another. Products are transferred through marketing to persons having a higher utility from persons having a low utility.

The food grain marketing system is more important in India than the marketing of other agricultural commodities because of the following reasons:

- (a) Food grains account for around two-thirds of the gross cropped area and 40 per cent of the gross value of crop output in the country. Food grain marketing, therefore, provides income to most Indian farmers so that they may buy the required inputs for the farm as well as purchase items of domestic need;

(b) The food grain marketing business provides livelihood to lakhs of traders, processors, commission agents and other persons engaged in the food grain trade; and

(c) The food grain marketing system helps in providing food for consumers and fodder for livestock.

AGRICULTURAL MARKETING IN INDIA: DEFECTS AND THEIR REMEDIAL MEASURES

Main Defects:

The position of agricultural marketing system in India seems to be far from perfect.

The major defects of the system are the following:

(1) Lack of Output Quality:

Prima facie, the quality of produce is low due to a number of factors:

(i) Poor quality of seeds,

(ii) Primitive methods of cultivation,

(iii) Lack of pest and disease control measures,

(iv) Dependence on erratic monsoon (drought or flood),

(v) Lack of adequate storage facilities to protect the crop from rains and rats,

(vi) Deliberate adulteration and dumping and so on.

Of course, things have changed of late due to the setting up of regulated and organised markets by different State Governments.

(2) Absence of Grading:

As a general rule, there is hardly any grading of the commodities to be marketed. Therefore, the purchaser has little, if any, confidence in the quality of the product(s). Of course, the British Government passed the Agricultural Produce (Grading and Marketing) Act in 1937 to solve this problem. But nothing really has happened. As per the Act, licenses are issued on a selective basis to reliable merchants, under the supervision and control of the Government staff. The graded commodities are subsequently passed on to the market under the label of ―AGMARK‖.

(3) Inadequate Storage and Warehousing Facilities:

The average Indian fanner does not have .adequate storage facilities. Moreover, there are no satisfactory warehousing facilities in the market. For these two reasons the farmer has to sell his produce immediately after the harvest. He cannot wait to obtain better prices in the future. Moreover, due to lack of storage facilities, farmers are unable to obtain loans from co-operative marketing societies or even commercial banks against the security of the stored output.

(4) Lack of Adequate Transport Facilities:

India‘s railroad network is grossly inadequate compared to its needs. There are hardly 2.8 km of rail tract per 100 square km area in India. The condition in rural areas is even worse. The road conditions in rural areas are really very bad. Even the rich cultivators, having surplus to dispose off, are often not interested in going to the mandis. Most rural roads are un-metalled and cannot be used during the monsoon season.

(5) Lack of Information:

The market for agricultural products in India is not perfectly competitive in the sense that the farmers do not usually get adequate information about the price that prevail in big and organized markets. Due to lack of communication facilities, the information about market prices rarely reaches the farmers.

Since most farmers are illiterate and ignorant they take at face value whatever price rules in all parts of the market. Instead, lack of market information causes variations in market prices. Daily prices of some essential commodities are no doubt made public by the A.I.R. and T.V., but the number of radio sets and T.V. in rural areas is very small.

(6) A Long Chain of Intermediaries:

The number of middlemen and intermediaries between the farmer and the final consumer of most agricultural commodities is very large. Therefore, the total margin going to the traders is quite a large part of the market price. Some of them, such as the dalals, hardly perform any economic function. So the farmer hardly gets anything compared to the effort put and expenses incurred.

(7) Unethical Practices:

Many fraudulent practices are observed in rural markets. The entire method of transaction is against the interest of the farmer. In the mandis, the farmer has to approach a broker (a dalal) to be able to dispose of his produce to the arhitiya. These two intermediaries often use code words to settle the price under cover and not in open. Although they act for both the buyer and the seller, they serve the interest of the buyer than that of the seller by forming collusion with the arhitiya.

Moreover, false weights and measures are used and unnecessary deduction is made from the quoted price on the pretention that his produce is of inferior quality. Thus, the farmer is exploited in various ways and, the whole method of transaction is against the interest of the farmer. In short, most transactions are unfair and unethical.

(8) Multiplicity of Charges:

A related point may be noted in this context. There are multiplicities of charges on the seller. Some of these are legitimate such as commission, carriage and weightment, while others are not (such as charges for the arhitiya buyers‘ servants and apprentices, charity, religious festival and so on). In each case the seller has to pay more than the buyer.

Peasants are also to pay various indirect taxes such as octroi (a tax on the inter-State movement of goods), terminal taxes and municipal tolls. In theory, these are normally paid by the consumers because the demand for agricultural commodities is elastic. But in practice these are paid by the seller—the poor and helpless cultivator.

(9) Lack of Proper Marketing Facilities:

In very-recent times, the quantum of marketed surplus has increased significantly in certain areas due to the spread of Green Revolution. But this has not been supported by a. corresponding increase in market yards and other ancillary facilities. Consequently, the farmer has been the lone sufferer.

(10) Debt Obligation and Distress Sales:

Finally, the average farmer is almost always in debt. So he cannot wait after the harvest so as to obtain better prices in future. He has to make distress sales to the moneylender or the trader immediately after the harvest, for clearing his debt. This weakens the position of the farmer. His condition deteriorates further when, at a later date, he has to make distress purchase from the open market by obtaining consumption loan.

So the main point is that the farmer has to sell his produce at the wrong time, at a wrong place and at an unfavourable price. As a result his revenue falls.

REMEDIAL MEASURES:

For all the above defects of India‘s agricultural marketing system the farmer does not get a fair deal from the market. However, his condition can be improved by removing the defects. The following measures may be taken to improve the present system of agricultural marketing in India:

(a) Regulated Markets:

Regulated markets may be established with a view to eliminating unhealthy and unethical trade practices and reducing various marketing charges with a view to benefitting the poor cultivator. Quite recently, numerous regulated markets have been set up in various States to safeguard the interest of the farmers.

(b) Expansion of Market Yards:

This is a vital necessity. This must be supported by a corresponding expansion of ancillary facilities in the various existing markets and setting up new markets and market yards for handling the phenomenal increase in market arrivals, particularly in those areas where the Green Revolution has occurred (viz., Punjab, Haryana and western U.P.).

(c) Cooperative Marketing Societies:

Here is need to set up such societies. Some progress has been achieved in this direction. In India, the cooperative marketing structure consisted of more than 7,000 co-operative marketing societies during 1999-00, covering all important agricultural markets in the country. The total value of agricultural produce marketed by co-operatives amounted to Rs. 22,500 crores in 1999-00, as against Rs. 169 crores in 1960-61.

(d) Storage Facilities:

An extension of storage facilities at the farm land and Storage and Warehousing Corporation, with a view to constructing and managing a. whole network of warehouses in all towns and mandis. The co-operative societies get necessary financial and. technical assistance from the Government for promoting warehouses in villages.

Moreover, the National Co-operative Development Corporation has been set up for planning, promoting and financing the programme of augmenting storage capacity of co-operatives at various levels. The storage capacity of 150 lakh tones had already been constructed in the co-operative sector by the end of March 2000 as against a capacity of 8 lakh tones in 1960-61.

(e) Credit:

Steps may be taken to provide cheap credit to farmers, especially from institutional sources like commercial banks and co-operatives. Co-operative societies are providing credit facilities to farmers with a view to improving their economic conditions, protecting them from the exploitative practices of village moneylenders and for helping them to get reasonable prices for their produce.

(f) Transport Facilities:

Expansion of transport facilities between the villages and mandis seems to be the need of the hour. Rural transport has been given emphasis in the five year plans and quite some progress has been made in this direction.

(g) Other Measures:

Various other measures taken include Prompt supply of market information through published documents and T.V. programmes, standardization and grading to ensure quality to consumers and better prices to producers.

BUREAU OF INDIAN STANDARDS:

The Ministry of Consumer Affairs, Food and Public Distribution are a Union / Central government ministry of India, playing a pivotal role in the standardization. The Ministry is headed by a minister of Cabinet rank. Prof. K.V. Thomas took charge as Minister of State in the Ministry of Consumer Affairs, Food & Public Distribution with effect from 1st June, 2009 and was re-instated as Minister of State having independent charge of the Department with effect from 19th January 2011.

The Ministry of Consumer Affairs of India, Food and Public Distribution are divided into two parts:

- **Department of Food and Public Distribution**
- **Department of Consumer Affairs;**

The Department of Consumer affairs administers the policies for Consumer Cooperatives, Monitoring Prices, availability of essential commodities, Consumer Movement in the country and Controlling of statutory bodies like Bureau of Indian Standards(BIS) and Weights and Measures.

The Bureau of Indian Standards, the National Standards Body of India became functional as a statutory body under the Bureau of Indian Standards Act, 1986 with effect from 1 April 1987 taking over staff, assets and liabilities of Indian Standards Institution established in 1947. BIS took over the responsibility of Indian National Committee of IEC in 1949 from Institution of Engineers. The Bureau is successfully promoting and nurturing the standardization movement in the country. Bureau of Indian Standards (BIS), formally known as Indian Standards Institute (ISI), represents India in ISO as a founder member, IEC since 1911 and is also responsible for WTO-TBT Enquiry point.

BIS acts as an umbrella organization that oversees the development of Indian Standards (IS). Its management board consists of 25 members representing both Central and State governments, Members of Parliament, Industry Associations, Scientific and Research Institutions, Consumer Organizations, representative of Farmers Interests and Central/State Public Sector enterprises.

The BIS standardization process for the development of Indian Standards (IS) follows the ISO/IEC standards and WTO/TBT guidelines. BIS‘s role is to coordinate inputs from various public sector stakeholders to its technical committees which are then commented by the private sector representatives (experts and industry association representatives). Since 1968 BIS has been organizing training programme on standardization for nominees of developing countries every year in the month of October.

BIS does not make technical regulations. However there are technical regulations which make compliance to BIS standards mandatory. Technical regulations are issued by various departments under different ministries of Government of India or by different regulators empowered under different states. BIS is engaged in formulation of Indian Standards for the following sectors:

- Production & General Engineering
- Chemicals
- Civil Engineering
- Electronics and Information Technology
- Electrotechnical
- Food and Agriculture
- Mechanical Engineering
- Management and Systems
- Medical Equipment and Hospital Planning
- Metallurgical Engineering
- Petroleum Coal and Related Products

- Transport Engineering
- Textile
- Water Resources

Each of these sectors has a Division Council to oversee and supervise its work. BIS publishes detailed Work Programme for each of the 14 Division Councils as briefed below once in a year on 1 April. Special attention is given to multidisciplinary areas such as energy conservation, environmental protection, rural development and safety. So far over 18,000 standards have been formulated in different technology areas.

Production and General Engineering Division Council (PGEDC):

Standardization in the field of basic and production engineering such as engineering drawings, screw threads, fasteners, transmission devices, weights and measures, engineering metrology, bearings, gears, horology, machine tools, hand tools, cutting tools, pneumatic tools and fluid power system including automation in manufacturing and robotics.

Civil Engineering Division Council (CEDC):

Standardization in field of civil engineering including structural engineering, building materials and components; planning, design, construction and maintenance of civil engineering structures; construction practices; safety in building but excluding those subjects which are specifically related to river valley projects.

Chemical Division Council (CHDC):

Standardization in the field of chemicals and chemical products including paints and related products, glass and ceramic wares, paper and stationery items, leather and footwear, soaps and detergents, photographic and electroplating materials, Lac and Lac products, thermal insulation materials, industrial gases, explosives and pyrotechnics, nuclear material, chemical hazards, water quality, environmental protection and industrial safety (to the extent of their aspects relating to activity of the chemical division).

Electro-technical Division Council (ETDC):

Standardization in the field of electrical power generation, transmission, distribution and utilization equipment; and insulating materials, winding wires, measuring and process control instruments and primary and secondary batteries.

Food and Agricultural Division Council (FADC):

Standardization in the field of food and agriculture includes food processing, agricultural inputs, and agricultural machinery.

Electronics and Information Technology Division Council (LITDC):

Standardization in the field of electronics and telecommunications includes Information Technology same as CEN-CENELEC activities in ICT sector.

Mechanical Engineering Division Council (MEDC):

Standardization in the field of mechanical engineering including mining, boilers, pressure vessels, refrigeration and air conditioning, material handling, chemical engineering and other general engineering such as compressors, gas cylinders, oil and gas burners, water well drilling, pump sets educational instruments and equipment.

Management and Systems Division Council (MSDC):

Standardization in the field of basic standards of relevance to all division councils, quality management including quality systems (also covering manufacturing and service sectors) statistical quality control (SQC), management and productivity, documentation and information systems and publication and graphic technology.

Metallurgical Engineering Division Council (MTDC):

Standardization in the field of metallurgy and metallurgical engineering including ferrous and non-ferrous metals, alloys and their products, ores and minerals, foundry, refractories, powder metallurgy, heat-treatment, corrosion protection, metallic and non-metallic coatings (excluding paints, pigments, and enameling) and welding (excluding electrical welding equipment).

Petroleum, Coal and related Products Division Council (PCDC):

Standardization in the field of petroleum, natural gas, coal and coal related products, alcohols, dye-intermediates, natural and synthetic perfumery materials, cosmetics, fertilizers, plastics, rigid and semi-rigid and flexible plastic containers, rubber, adhesives, toys and sports goods.

Transport Engineering Division Council (TEDC):

Standardization in the field of transport engineering includes air, water, road and rail transport; diesel engines for stationery application and ISO freight containers, transport packaging etc.

Textile Division Council (TXDC):

Standardization in the field of textiles covers natural and man-made fibers and their products, geotextiles, dyestuffs, textile auxiliaries and textile machinery.

Water Resources Division Council (WRDC):

Standardization in the field of Water Resources development to include the activities covering utilization of water resources for irrigation, drinking water as well as ground water development. In case of drinking water, the work shall be confined to making the water available to the municipal authorities.

Medical Equipment and Hospital Planning Division Council (MHDC):

Standardization in the field of medical equipment including all types of surgical instruments, electro-medical equipment, surgical dressings, anaesthetic and rehabilitation equipment, artificial limbs, biological stains, veterinary surgery instruments, dentistry, laboratory instruments and equipment and hospital planning.

AGMARK

Agmark is an acronym for **agricultural marketing**. Agmark is a quality certification mark provided by the Government of India. This certification confirms that the product or commodity in better term is scientifically laid down. It confirms the quality control and the best hygienic condition of the food.

This certification also marks the food standard keeping in mind the requirements of WTO. This certification benefits all including the producer and the consumer. The sellers can sell their products easily and obviously it‘s a satisfaction mark for you buyers.

Few certified AGMARK Commodities are –

- Vegetable Oils and blended edible vegetable oils
- Spices (whole and powdered) and powdered mixed spices
- Compounded Asafetida
- Cereals and Pulses
- Ghee, Butter, Honey

AGMARK CERTIFICATION

Agricultural sector plays a very important role in Indian economy. To effectively market the agriculture products in international market and in domestic markets in India standard for agricultural produce & products were required. Government of India through its agency Directorate of Marketing and Inspection (DMI) lays down standards for agricultural products which is implemented at State level. The quality certification for the agriculture produce which assures that the products conforms to the standards laid down by the Government of India is called Agmark Certification.

Agmark is a quality certification for agricultural products provided by the Government of India which assures that the product containing the Agmark is good in terms of quality and produced in hygienic condition thereby fit for human consumption. It is useful both for consumers and producers, marketers and traders.

Agmark certification – Is Mandatory

Agmark certification is voluntary but for some products it has been made compulsory vide Food Safety and Standards (Prohibition and Restriction on Sales) Regulation 2011.These are as under:

- Blended Edible Vegetable Oil
- Fat Spread
- Kangra Tea
- Ghee
- Til Oil

- Honey
- Light Black Pepper

Directorate of Marketing and Inspection formulated standards for 213 commodities of agricultural products.

Important points in Agmark Certification

- Agmark is a quality certification for agricultural produce by Government of India, under Agricultural Produce Grading and Marketing Act, 1937 amended in 1986.
- Agmark certified product must bear an Insignia of Agmark prescribed by the Directorate of Marketing and Inspection (DMI), an agency of Government of India.
- Agmark certification is a voluntary certification unless it is made compulsory as per provision of Food Safety and Standards (Prohibition and Restriction on Sales) Regulation 2011.
- It is product specific certification provided in Agriculture Produce (Grading and Marking) Act. Government of India fixes varied grading standards for different agriculture products which is implemented on state level.
- To make the products comparable in international market the grading standards are fixed keeping in view the requirements of WTO.
- The products bearing Agmark must conform to the standard laid down by Directorate of Marketing and Inspection (DMI), any contravention to this may require free replacement of graded products by the producer.

CONSUMERISM

Consumerism is defined as social force designed to protect consumer interests in the market place by organising consumer pressures on business. It is a protest of consumers against unfair business practices and business industries. It aims to eliminate those unfair marketing practices e.g. misbranding, spurious products, unsafe products, adulteration, fictitious pricing, planned obsolescence, deceptive packaging, false and misleading advertisements, defective warranties, hoarding, profiteering, black-marketing, short weights and measures etc.

Consumerism challenges the very basis of the marketing concept. According to P.F. Druckers, consumerism challenges four important premises of the marketing concept.

(i) It is assumed that consumers know their needs.

(ii) It is assumed that business really cares about those needs and knows exactly how to find about them.

(iii) It is assumed that business does provide useful information that precisely matches product to needs.

(iv) It is presumed that product and services really fulfil customer expectations as well as business promises.

CONSUMERISM AND RECENT TRENDS IN INDIA

Consumerism essentially means the growing wants and needs of an individual for goods and services. India is one of the largest and fastest growing economies in the world. The consumer‘s standard of life is going higher and hence his needs are escalating as well. Consumerism in India, is in a new high, and refuses to show signs of budging anymore. The Indian consumer, due to his exposure, of the global market, strives to get the best of the goods in his home land.

Consumer tastes and preferences are definitely changing. Even children have their own preferences. The retail sector- both organized and unorganized, strive hard to cater to the vast range of the Indian consumers. The retail sector in India, with its present pace, is expected to grow at a rate of 25%- 30% annually.

- Being the fifth largest retail industry in the world, the trends of the retail industry in India is quite remarkable. The consumer group can literally be divided into three clear groups:
  - The first group comprises of consumers who are extremely brand conscious and depend upon the high end retail stores to satisfy their needs;
  - The second group is another extreme who satisfy their consumer needs from outlets that do not hold popular brands and are also much cheaper;
  - The third group however follows the middle path- they satisfy their consumer needs either from high end retail outlets or the less popular retail outlets, as and when necessary.

Food is one of the most in demand need in the Indian market. Simple things like groceries, fruits and vegetables are sold in both organized as well as unorganized retail outlets. Therefore, at one end consumers have the comfortable air conditioned super markets while at the other hand the typical _sabzi mandi‘ too serves the Indian consumer.

The next item on demand is clothing. With the advent of international and national brands and easy accessibility to designer wear, the very face of the retail clothing industry has changed. A need to be street smart and fashionable is another requirement that has revolutionized this industry. Consumers find the high end stores displaying international brands and designer wear; climb the success ladder with great gusto, as well as the stalls on the street side selling cheap clothes too making a niche for them.

The Indian retail industry gives an opportunity to everybody to shine- whether they are family stores, or departmental stores, or convenience stores, e-Retailers, or malls or specialty stores- such is the varied range of consumers in India. Despite challenges like the tax structure, lack of infrastructure, shortage of trained manpower, etc. The growth of India in the economic sector has resulted in Indians willing to invest in a life of luxury. Such a wish is the major cause behind India‘s growing consumerism and retail trends.

CONSUMER PROTECTION ACT

―An Act to provide for better protection of the interests of consumers and for that purpose to make provision for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith.‖ - According to Consumer Protection Act, 1986.

Consumer Protection Act, 1986 seeks to promote and protect the interest of consumers against deficiencies and defects in goods or services. It also seeks to secure the rights of a consumer against unfair or restrictive trade practices. This act was passed in Lok Sabha on 9th December,1986 and Rajya Sabha on 10th December, 1986 and assented by the President of India on 24th December, 1986 and was published in the Gazette of India on 26th December, 1986.

NEED FOR CONSUMER PROTECTION

Consumer protection was not necessary when the world was younger and communities smaller. In the lifestyle of those times unfair trade was almost impossible. The industrial revolution and a shift of population from rural areas to towns and anonymity of urban living gave plenty of scope for malpractices. Buyers have a very weak bargaining power and cannot assert their right being heard. Consequently, manufacturers and traders are tempted to follow diverse practices which turn out to be unfair to consumers. To check the onslaught on consumers, a host of legislations were enacted.

These include Sale of Goods Act, 1930; Essential Commodities Act, 1955; Prevention of Food Adulteration Act, 1954; Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980; Standards of Weights and Measures Act, 1956; Agricultural Products and Grading and Marketing Act (AGMARK), 1937; Indian Standards Bureau Certification Act, 1952; MRTP Act, 1969 etc.

CONSUMER RIGHTS

Some of the rights of consumers are

Right to safety

Right to be protected against the marketing of goods and services, which are hazardous to life and property. The purchased goods and services availed of should not only meet their immediate needs, but also fulfil long term interests. Before purchasing, consumers should insist on the quality of the products as well as on the guarantee of the products and services. They should preferably purchase quality marked products such as ISI, AGMARK, etc

Right to choose

Right to choose means right to be assured, wherever possible of access to variety of goods and services at competitive price. In case of monopolies, it means right to be assured of satisfactory quality and service at a fair price. It also includes right to basic goods and services. This is because unrestricted right of the minority to choose can mean a denial for the majority of its fair share. This right can be better exercised in a competitive market where a variety of goods are available at competitive prices

Right to be informed

It means right to be informed about the quality, quantity, potency, purity, standard and price of goods so as to protect the consumer against unfair trade practices. Consumer should insist on getting all the information about the product or service before making a choice or a decision. This will enable him to act wisely and responsibly and enable him to desist from falling prey to high pressure selling techniques.

Right to consumer education

It means the right to acquire the knowledge and skill to be an informed consumer throughout life. Ignorance of consumers, particularly of rural consumers, is mainly responsible for their exploitation. They should know their rights and must exercise them. Only then real consumer protection can be achieved with success.

Right to be heard

Right to be heard means that consumer's interests will receive due consideration at appropriate forums. It includes right to be represented in various forums formed to consider the consumer's welfare. The Consumers should form non-political and non-commercial consumer organizations which can be given representation in various committees formed by the Government and other bodies in matters relating to consumers.

Right to seek redressal

It means right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers. It includes right to fair settlement of the genuine grievances of the consumer. Consumers must make complaint for their genuine grievances. Many a times their complaint may be of small value but its impact on the society as a whole may be very large. They can also take the help of consumer organizations in seeking redressal of their grievances.

As the markets are globalizing, the direct link between the manufacturer and the final user getting distant, post purchase grievances have to be heard through a strong redressal system. For this, Consumer disputes redressal agencies (popularly known as Consumer Forums or Consumer Courts) are set up under the Act at District, State and National level to provide simple and inexpensive quick redressal against consumer complaints. The District forum deals with complaints where the compensation sought is less than 23 lakhs. This limit is commonly known as the _pecuniary jurisdiction‘ of the Consumer Redressal Forum. The State Forum deals with the complaints where the value of the goods and services and compensation claimed does not exceed rupees one crore and the National Forum entertains the complaints where the value of the goods or services and compensation claimed exceeds rupees one crore.

The Consumer Forum can order the company to take the following actions once it hears the complaint and decides that the company is at fault:

- Correct deficiencies in the product to what they claim.
- Repair defect free of charges
- Replace product with similar or superior product
- Issue a full refund of the price

- Pay compensation for damages / costs / inconveniences
- Withdraw the sale of the product altogether
- Discontinue or not repeat any unfair trade practice or the restrictive trade practice
- Issue corrective advertisement for any earlier misrepresentation

CONSUMER RESPONSIBILITIES

Some of the responsibilities of consumers are,

Ask Yourself!

- Have you faced any problems as a consumer?
- Have you ever complained when you have had such a problem?
- Do you know that you could seek the assistance of a consumer group to protect your interests?

Be Critically Aware

The responsibility to be more alert and to question more – about prices, about quantity and quality of goods bought and services used.

Be Involved

The responsibility to be assertive – to ensure that you get a fair deal as a consumer. Remember, if you are passive, you are likely to be exploited.

Be Organized

The responsibility to join hands and raise voices as consumers; to fight in a collective and to develop the strength and influence to promote and protect consumer interest.

Practice Sustainable Consumption

The responsibility to be aware of the impact of your consumption on other citizens, especially the disadvantaged or powerless groups; and to consume based on needs – not wants.

Be Responsible to the Environment

The responsibility to be aware and to understand the environmental consequences of our consumption. We should recognize our individual and social responsibility to conserve natural resources and protect the earth for future generations.

CONSUMER RIGHTS VS RESPONSIBILITIES

S.No	RIGHTS	RESPONSIBILITY
1	Right to be heard	1) Ensure that the company has provided the contact details of the consumer grievance handling system and are easily accessible.

		2) 2. Avoid purchase of products/services from a company which do not provide details of the consumer grievance officers to handle consumer grievances.
2	Right to Redress	1) Ignoring the loss suffered on purchase of defective goods and services and not filing complaint encourages the corrupt business man to supply low standards or defective goods and services. Therefore file a complaint even for a small loss. File only a genuine complaint. 2) Consumer must file a complaint if not satisfied with the quality of product/services. 3) Claim the penalties/compensation as provided under rules and regulations to ensure that the quality delivery system improves. 4) 4. Study carefully all terms and conditions related to return/replacement of defective goods, refund and warranty policies.
3	Right to Safety	1) While purchasing the goods or services, Consumer must look for standard quality mark such as ISI, Hallmark, Agmark, ISO, FSSAI, etc. 2) 2. Do not buy any spurious/ fake/duplicate/ hazardous products.
4	Right to Consumer Education/ Right to be Informed	1) Do not get carried away by advertisements only or believe on the words of the seller. Consumer must look market reviews/feedback. Similarly inform offers if product and services of companies are of substandard. 2) Consumer must insist on getting complete information on the quality, quantity, utility, price etc. of the product or services. 3) 3. Ask for complete contact details of the consumer grievance mechanism of the company the consumer wish to buy from.
5	Right to Choose	1) Access the information available on various alternatives available for the product and services under purchase consideration. 2) Compare specifications, competition and fair prices of the goods and services before finalizing on the purchase. 3) 3. Study various feedbacks/reviews of the products/services.

CONSUMER BEHAVIOUR

Meaning

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

The study of consumer behaviour assumes that the consumers are actors in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

The roles vary in different consumption situations; for example, a mother plays the role of an influencer in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family.

Definition

According to Engel, Blackwell, and Mansard, ‗consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Louden and Bitta, ‗consumer behaviour is the decision process and physical activity, which individuals engage in evaluating, acquiring, using or disposing of goods and services'.

Nature of Consumer Behaviour:

(1) Influenced by various factors:

The various factors that influence the consumer behaviour are:

a) Marketing factors such as product design, price, promotion, packaging, positioning and distribution.

b) Personal factors such as age, gender, education and income level.

c) Psychological factors such as buying motives, perception of the product and attitudes towards the product.

d) Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.

e) Social factors such as social status, reference groups and family.

f) Cultural factors, such as religion, social class—caste and sub-castes.

(2) Undergoes a constant change:

Consumer behaviour is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behaviour may take place due to several other factors such as increase in income level, education level and marketing factors.

(3) Varies from consumer to consumer:

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behaviour are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. There are other consumers who, despite having surplus money, do not go even for the regular purchases, avoid use and purchase of advance technologies.

(4) Varies from region to region and country to county:

The consumer behaviour varies across states, regions and countries. For example, the behaviour of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviours.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behaviour varies across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

(5) Information on consumer behaviour is important to the marketers:

Marketers need to have a good knowledge of the consumer behaviour. They need to study the various factors that influence the consumer behaviour of their target customers. The knowledge of consumer behaviour enables them to take appropriate marketing decisions in respect of the following factors:

a) Product design/model
b) Pricing of the product
c) Promotion of the product
d) Packaging
e) Positioning
f) Place of distribution

(6) Leads to purchase decision:

Positive consumer behaviour leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behaviour to increase their purchases.

(7) Varies from product to product:

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle- aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

(8) Improves standard of living:

The buying behaviour of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. If a person spends less on goods and services, despite having a good income, they deprive themselves of higher standard of living.

(9) Reflects status:

The consumer behaviour is not only influenced by the status of a consumer, but it reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer behaviour refers to the selection, acquisition and consumption of goods and services to meet their needs. There are different processes involved in consumer behaviour. Initially, the consumer tries to find what products they would like to consume, then select only those products that promise greater utility. After selecting the products, the consumer makes an estimate of available funds that can happen. Finally, the consumer looks at the current prices of commodities and makes the decision about which products to consume. There are several factors that influence consumer purchases, such as social, cultural, personal and psychological. Those factors are as follows:

(1) Cultural factors

Consumer behavior is deeply influenced by cultural factors, such as buyer‘s culture, subculture and social class.

Culture

Essentially, culture is the share of each company and is the major cause of the person who wants and behavior. The influence of culture on the purchasing behavior varies from country to country; therefore sellers have to be very careful in the analysis of the culture of different groups, regions or even countries.

Subculture

Each culture has different subcultures, such as religions, nationalities, geographical regions, racial, etc. marketing groups may use these groups, segmenting the market in several small portions. For example, marketers can design products according to the needs of a specific geographical group.

Social Class

Every society has some kind of social class which is important for marketing because the buying behavior of people in a particular social class is similar. Thus marketing activities could be adapted to different social classes. Social class is not only determined by income, but there are several other factors such as wealth, education, occupation etc.

(2) Social factors

Social factors also influence the purchasing behavior of consumers. Social factors are: the reference groups, family, the role and status.

Reference groups

Reference groups have the potential for the formation of an attitude or behavior of the individual. The impact of reference groups vary across products and brands. For example, if the product is visible as clothing, shoes, car etc., the influence of reference groups will be high. Reference groups also include opinion leader (a person who influences others by his special skill, knowledge or other characteristics).

Family

Buyer behaviour is strongly influenced by a family member. So vendors are trying to find the roles and influence of the husband, wife and children. If the decision to purchase a particular product is influenced by the wife then sellers will try to target women in their ad.

Roles and Status

Each person has different roles and status in society in terms of groups, clubs, family, etc. organization to which it belongs. For example: A woman working in an organization as manager of finance. Now she is playing two roles, one of the chief financial officer and the mother. Therefore, purchasing decisions will be influenced by their role and status.

(3) Personal factors

Personal factors may also affect consumer behavior. Some of the important factors that influence personal buying behavior are: lifestyle, economic status, occupation, age, personality and self esteem.

Age

Age and life cycle have a potential impact on the purchasing behaviour of consumers. Consumers change the purchase of goods and services over time. Family life cycle consists of different stages as young singles, married couples, and unmarried couples etc that help marketers to develop suitable products for each stage.

Occupation

The occupation of a person has a significant impact on their buying behaviour. For example, a marketing manager of an organization tries to buy business suits, while a low level worker in the same organization buy-resistant clothing works.

Economic situation

Economic situation of the consumer has a great influence on their buying behavior. If income and savings a customer is high, then going to buy more expensive products. Moreover, a person with low income and savings buy cheap products.

Lifestyle

Lifestyle refers to the way a person lives in a society and express things in their environment. It is determined by the client's interests, opinions, etc and an activity shapes their whole pattern of acting and interacting in the world.

Personality

Personality changes from person to person, time to time and place to place. Therefore, it can greatly influence the buying behavior of customers. Personality is not what one has, but is the totality of the conduct of a man in different circumstances. Has a different characteristic, such as dominance, aggression, confidence etc may be useful to determine the behaviour of consumers to the product or service.

(4) Psychological Factors

There are four major psychological factors that affect the purchasing behaviour of consumers. These are: perception, motivation, learning, beliefs and attitudes.

Motivation

Each person has different needs, such as physiological needs, biological needs, social needs, etc. The nature of the requirements is that some are more urgent, while others are less pressing. Therefore, a need becomes a motive when it is most urgent to lead the individual to seek satisfaction.

Perception

Select, organize and interpret information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In selective attention, sellers try to attract the attention of the customer. In selective distortion, customers try to interpret the information in a way that supports what customers already believe. In selective retention, marketers try to retain information that supports their beliefs.

Beliefs and Attitudes

Client has specific beliefs and attitudes towards different products. Because such beliefs and attitudes shape the brand image and affect consumer buying behaviour so traders are interested in them. Marketers can change beliefs and attitudes of customers with special campaigns in this regard.

MARKETING ETHICS

Marketing Ethics are the basic principles and values that govern the business practices of those engaged in promoting products or services to consumers. Sound marketing ethics are typically those that result in or at least do not negatively impact consumer satisfaction with the goods and services being promoted or with the company producing them.

Definition:

Marketing ethics are the moral principles and values that need to be followed during any kind of marketing communication. They are the general set of guidelines which can help companies to decide on their new marketing strategies. Any unethical behaviour is not necessarily illegal. If a company is making any kind of claims about their products, and are unable to live up to those claims, it may be called as an unethical behaviour.

Marketing ethics basically promotes fairness and honesty in all their advertisements. Any kind of false claims to the consumers, invading consumer‘s privacy, stereotyping and targeting the vulnerable audience (like children and elderly) are considered to be unethical behaviour by the companies. Even trying to harm the competitor‘s image is considered immoral. Ethics are still subjective and should be openly discussed by the companies while making any marketing decisions. Companies following the marketing ethics are able to gain the trust of the consumers and create a positive image for themselves.

Importance of Marketing Ethics:

(1) Customer Loyalty

It helps the company to win the trust and loyalty of its customers on the long-term basis. As it is the basic human nature and tendency to go for the brand that is - genuine in its nature, its products and services offered are authentic, and they sell the exact products and services that are shown during the marketing campaigns and artworks.

It is always imperative for the management and the marketing department to display the company attributes and the details of products and services offered that are true and bonafide in each and every aspect.

(2) Long-term gains

Understanding the importance of Marketing Ethics is not only the long-term goal and objective of the company but there are various long-term gains attached to following the same such as customer loyalty, high credibility in the market and in the minds of the customers, increased market share, enhanced brand value, higher sales, and elevated revenues amongst others with the company able to accomplish its both short term and long term objectives in a successful manner.

(3) Builds credibility

When the company follows the intricacies and the nuances of the marketing ethics on a consistent and continuous basis in all it marketing and promotional campaigns, it slowly and gradually builds its distinctive niche in the market as a genuine and authentic brand that also results in the factor of credibility building for the company within the industry amongst its peers, contemporaries, investors, and other stakeholders plus in the minds of the customers as well.

(4) Leadership

When the company grasps and understands the importance of Marketing Ethics and formulates it as one of its crucial objectives, it attains the status of a leader in the market with the competitive brand trying to benchmark its practices and strategies owing to the company laying and following the rare path of marketing ethics that results in the various benefits such as loyal base of customers, higher sales, and increased market share, working as a source of inspiration for one and all in the market.

(5) Satisfies basic human needs and wants

Following the Importance of Marketing Ethics makes the company fulfill and satisfy the basic human needs and wants of trust, faith, and integrity as these are the basic factors that the customers look forward from the brands whilst indulging in the purchase of the products and services offered by the firm. And when the company is able to satisfy the basic needs and wants of the customers, it will enjoy the long-term benefits such as customer loyalty, trust in the brand, faith in its offerings, and the word of mouth publicity that will earn various referrals to the company.

(6) Displays rich culture

When the company follows the path marketing ethics, it only enjoys the various benefits from the external environment of the business but even the internal environment comprising of the staff and employees is well defined and systematically aligned as it displays and boasts of the rich and authentic culture. The internal staff is highly motivated and continuously strives to help the management attains the overall business objectives as it provides the required impetus to their professional career graph as well. Plus they take immense pride in working and their association with the company and express the same to their social circuit that showcases the rich and genuine culture of the firm in the market.

(7) Attracts talent

It helps the company to attract the talented professionals who wish to get associated with the company as internal employees, vendors or consultants as getting attached and associated to the firm that understands and follows the Importance of Marketing Ethics will surely provide the boost to their professional trajectory as well. Plus it helps the company to attain its aims and objectives in a short period of time and in a successful manner.

(8) Attains financial goals

In order to grow and the expand its business operations, the management of the company always needs investors and financial partners who provide the required funds and investments that will facilitate to launch the new line of products in the market, tap new market locations, and try out innovative marketing and promotion techniques. Hence, to attain the financial goals, it is vital for the company to understand and follow the Importance of Marketing Ethics as it gives the firm a tag of the brand that is genuine in its business operations and offerings.

(9) Enhanced brand value

The overall market fraternity, competitors, and the customers look up to the company as the one that follows the marketing ethics in the most dedicated manner, sells what it displays in its advertisement campaigns, exceed the expectations of the customers, sell products and services that are high on the realms and objectives of quality, and sets a new benchmark in the market for the competition to match and follow. All these factors result in the enhanced brand value of the firm making it the most trustworthy and reliable brand in the market.

MARKET SEGMENTATION

Market segmentation is the process of dividing a market into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

The overall aim of segmentation is to identify *high yield segments* – that is, those segments that are likely to be the most profitable or that have growth potential – so that these can be selected for special attention (i.e. become target markets).

Need For Market Segmentation

Not all individuals have similar needs. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform. A male and a female would have varied interests and liking towards different products. A kid would not require something which an adult needs. A house wife has a different requirement than an office goer.

- Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment. A male model would look out of place in an advertisement promoting female products. The marketers must be able to relate their products to the target segments.
- Market segmentation helps the marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focused approach as a result of market segmentation.
- Market segmentation gives the customers a clear view of what to buy and what not to buy. A Rado or Omega watch would have no takers amongst the lower income group as they cater to the premium segment. The segmentation process goes a long way in influencing the buying decision of the consumers. An individual with low income would obviously prefer a Nano or Alto instead of Mercedes or BMW.
- Market segmentation helps the organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places which have defined winter and summer seasons.
- Segmentation helps the organizations to know and understand their customers better. Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.

Factors likely to affect a company's segmentation strategy

- **Company resources:** When resources are restricted, a concentrated strategy may be more effective.
- **Product variability:** For highly uniform products (such as sugar or steel) an undifferentiated marketing may be adopted. For products that can be differentiated, (such as cars) then either a differentiated or concentrated approach may be suitable.

- **Product life cycle:** For new products, one version may be used at the launch stage, as more competitors enter the market, it may be necessary to differentiate.
- **Market characteristics:** When all buyers have similar tastes or unwilling to pay a premium for different quality, then undifferentiated marketing is to be adopted.
- **Competitive activity:** When competitors apply differentiated or concentrated market segmentation, using undifferentiated marketing may prove to be fatal. A company should consider whether it can use a different market segmentation approach.

Types of Market Segmentation

Segmenting is dividing a group into subgroups according to some set _basis‘. These bases range from demographic factors like age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Geographic Segmentation

Geographic segmentation divides the market on the basis of geography. This type of market segmentation is important for the marketers as people belonging to different regions may have different requirements. For example, water might be scarce in some regions which inflate the demand for bottled water but, at the same time, it might be in abundance in other regions where the demand for the same is very less.

People belonging to different regions may have different reasons to use the same product as well. Geographic segmentation helps marketer draft personalized marketing campaigns for everyone.

Demographic Segmentation

Demographic segmentation divides the market on the basis of demographic variables like age, gender, marital status, family size, income, religion, race, occupation, nationality, etc. This is one of the most common segmentation practices among the marketers. Demographic segmentation is seen almost in every industry like automobiles, beauty products, mobile phones, apparels, etc and is set on a premise that the customers' buying behaviour is hugely influenced by their demographics.

Behavioural Segmentation

The market is segmented based on audience's behaviour, usage, preference, choices and decision making. The segments are usually divided based on their knowledge and usage of the product. It is believed that the knowledge of the product and its use affects the buying decision of an individual. The audience can be segmented into –

- Those who know about the product,
- Those who don't know about the product,
- Ex-users,
- Potential users,
- Current Users,
- First time users, etc.

People can be labeled as brand loyal, brand-neutral or competitor loyal. They can also be labeled according to their usage. For example, a sports person may prefer an energy drink as elementary (heavy user) and a not so sporty person may buy it just because he likes the taste (light/medium user).

Psychographic Segmentation

Psychographic Segmentation divides the audience on the basis of their personality, lifestyle and attitude. Personality is the combination of characteristics that form an individual's distinctive character and includes habits, traits, attitude, temperament, etc. Lifestyle is how a person lives his life. Personality and lifestyle influence the buying decision and habits of a person to a great extent. A person having a lavish lifestyle may consider having an air conditioner in every room as a need, whereas a person living in the same city but having a conservative lifestyle may consider it as a luxury.

Steps in Market Segmentation

(1) Identify the target market

The first and foremost step is to identify the target market.The management is very clear on the target market and has separate strategies for product promotion amongst both the segments. Segmentation helps the organizations decide on the marketing strategies and promotional schemes.

A Garnier men's deodorant would obviously not sell if the company uses a female model to create awareness.

Maruti Suzuki has adopted a focused approach and wisely created segments within a large market to promote their cars.

- Lower Income Group - Maruti 800, Alto

- Middle Income Group - Wagon R, Swift, Swift Dzire, Ritz
- High Income Group - Maruti Suzuki Kizashi, Suzuki Grand Vitara

(2) Identify expectations of Target Audience

Once the target market is decided, it is essential to find out the needs of the target audience. The product must meet the expectations of the individuals. The marketer must interact with the target audience to know more about their interests and demands.

Marketing professionals or individuals exposed to sun rays for a long duration need something which would protect their skin from the harmful effects of sun rays. Keeping this in mind, many organizations came with the concept of sunscreen lotions and creams with a sun protection factor especially for men.

(3) Create Subgroups

The organizations should ensure their target market is well defined. Create subgroups within groups for effective results.

- Cosmetics for females now come in various categories.
- Creams and Lotions for girls between 20-25 years would focus more on fairness.
- Creams and lotions for girls between 25 to 35 years promise to reduce the signs of ageing.

(4) Review the needs of the target audience

It is essential for the marketer to review the needs and preferences of individuals belonging to each segment and sub-segment. The consumers of a particular segment must respond to similar fluctuations in the market and similar marketing strategies.

(5) Naming the market Segment

Give an appropriate name to each segment. It makes implementation of strategies easier.

A kids section can have various segments namely new born, infants, toddlers and so on.

(6) Marketing Strategies

Relevant strategies to promote brands amongst each segment to be indicated. Organizations‘ can‘t afford to have same strategies for all the segments. Advertisements promoting female toiletries can‘t afford to have a male model, else the purpose gets defeated.

(7) Review the behavior

Review the behavior of the target audience frequently. It is not necessary individuals would have the same requirement (demand) all through the year. Demands vary, perceptions change and interests differ. A detailed study of the target audience is essential.

(8) Size of the Target Market

It is essential to know the target market size. Collect necessary data for the same. It helps in sales planning and forecasting.

CUSTOMER RELATIONSHIP MARKETING

Customer relationship marketing (CRM) is a business process in which client relationships, customer loyalty and brand value are built through marketing strategies and activities. CRM allows businesses to develop long-term relationships with established and new customers while helping streamline corporate performance.

CRM incorporates commercial and client-specific strategies via employee training, marketing planning, relationship building and advertising. Customer relationship marketing varies greatly from the traditional transactional marketing approach that focuses on increasing individual sale numbers.

CUSTOMER RELATIONSHIP MARKETING STRATEGIES

Customer relationship marketing builds upon customer experience management and puts improving customer interactions to foster brand loyalty at the core of marketing activities and efforts. There are several ways that companies go about customer relationship marketing, including providing excellent customer service at all times, getting to know individual customers to anticipate their needs, and offering loyalty program perks and rewards for repeat customers. Companies typically turn to the internet and social media to pursue customer relationship marketing initiatives, which means that small businesses also can benefit from it by inviting customers to visit their websites, read and comment on blog posts, and communicate via social media platforms like Twitter and Instagram.

The goal of customer relationship marketing is to build trust with and engage customers to build brand loyalty and reduce customer churn. One of the best strategies for building relationships with customers is focusing on emotion. Branded merchandising is becoming part of some of the most successful marketing campaigns.

Other strategies in customer relationship marketing include:

Show customers you value them with every interaction – Consider spontaneously recognizing them and delighting them in unexpected ways.

Listen to customers and respond – Use social media monitoring tools to reply to comments and complaints and address customers‘ concerns

Give customers free information – Identify topics and interests customers have and then create content to address them and give customers free access to it, such as informational videos on products they recently purchased or newsletters that highlight individual customers and share their stories

Expanded loyalty rewards – Any company can offer perks and rewards, but a good marketer need to expand beyond the typical reward program and give people stuff they love or recognize them in unexpected ways

Communicate frequently – A relationship is nothing without communication, so make sure to communicate with customers often via social media, email, messages, etc.

BENEFITS OF CUSTOMER RELATIONSHIP MARKETING

- When companies implement customer relationship marketing, they make good use of their customer data and identify customers that will be of more value to the company itself.
- With customer relationship marketing campaigns, companies save time and money by focusing on customers that will not be as costly in terms of maintaining relationships with them; they also make better decisions about which customers have underdeveloped potential.
- It increases customer satisfaction and communication levels. Customers who have strong relationships with companies interact with them more frequently, which makes it easier to learn more about customers via customer data platforms.
- Companies also save money by building relationships with existing customers rather than spending to attract new customers.
- Other benefits of using a customer relationship marketing strategy include:
  - **Delivering a consistent customer experience** – By becoming customer-centric and focusing on customer relationships, companies align their touch points and work across the organization to meet customer needs, improve satisfaction, and deliver an exceptional experience
  - **Gathering customer feedback** – Building strong relationships with customers requires communication, and companies put more stock in gathering feedback and analyzing it to make better business decisions to build stronger relationships
  - **Improving customer profitability** – Customers that are loyal to brands spend more with them; in fact, consumers are now putting customer experience ahead of cost when making purchasing decisions
  - **Creating customer advocates** – The happier your customers are, the better the chances they will spread the word about you to others; when you build a strong relationship with them and deliver a consistent experience, they have better reviews to share

MARKETING INFORMATION SYSTEM

Marketing information system (MIS) is a set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis. An information system can be used operationally, managerially, and strategically for several aspects of marketing.

Definition

The Marketing Information System refers to the systematic collection, analysis, interpretation, storage and dissemination of the market information, from both the internal and external sources, to the marketers on a regular, continuous basis.

ADVANTAGES OF MIS

With an increasingly competitive and expanding market, the amount of information needed daily by an organization is profound. Thus they have to establish a Marketing Information system. The following are the benefits or advantages of MIS;

1) **Helps to recognize trends: -** MIS helps managers to recognize marketing trends. The changing trends may be in respect of prices, product design, packaging, promotion schemes, etc. managers can take effective decisions in respect of prices, product designs, etc., in response to changing trends in the environment.
2) **Facilitates Marketing Planning and Control: -** Effective market planning is required in terms of product planning, pricing, promotion and distribution. Such planning will be possible only if the company is possessing adequate and relevant information.
3) **Quick supply of information: -** A firm has to take quick decision for this purpose; it requires fast flow of information which is facilitated by a properly designed MIS. Due to timely supply of marketing information, the marketing managers can make quick and effective decisions.
4) **Quality of decision Making: -** In every aspect of marketing, there is need to make constant and correct decisions. A properly designed marketing information system promptly supplies reliable and relevant information. With the help of computers and other data processing equipments, the marketing managers can make the right decisions at the right time.
5) **Tapping of business Opportunities: -** There are number of business opportunities which have remained untapped for various reasons are due to unavailability of sufficient information. MIS makes it possible to tap business opportunities as it can supply required and reliable data.
6) **Provides Marketing Intelligence: -** Marketing intelligence refers to information of the events that are happening in the external environment, i.e., changes in customer tastes, expectations, competitors‘ strategies, government policies, international environment, etc. with the help of MIS specialists, it is possible to collect marketing intelligence which is vital to make effective marketing decisions.

7) **Help managers to Recognize Change: -** A business firm may be handling or marketing a wrong line of products. As such the company will not be able to make profits. And if it is does, profits may not be adequate. A firm which is well equipped with MIS will be able to realize the need to change the line of business.

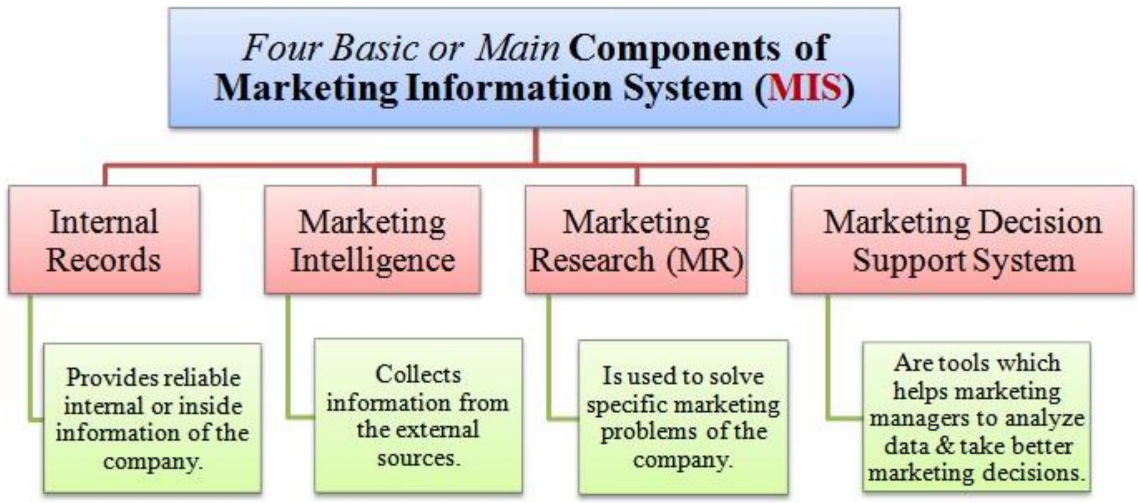
8) **Integration of Information: -** Firms, which are largely decentralized can gather information which is scattered at many centers or departments and integrate it for effective decision making. Such integration is possible if there is a centralized MIS.

COMPONENTS OF MARKETING INFORMATION SYSTEM MIS

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

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

The basic components of MIS are depicted and explained below.



Internal records:

The first component of MIS is ‗Internal Record'. Marketing managers get lots of information from the internal-records of the company. These records provide current information about sales, costs, inventories, cash flows and account receivable and payable. Many companies maintain their computerized internal records. Inside records help marketing managers to gain faster access to reliable information.

Marketing intelligence:

The second component of MIS is ‗Marketing Intelligence‘. It collects information from external sources. It provides information about current marketing-environment and changing conditions in the market. This information can be easily gathered from external sources like; magazines, trade journals, commercial press, so on. This information cannot be collected from the Annual Reports of the Trade Association and Chambers of Commerce, Annual Report of Companies, etc. The salesmen‘s report also contains information about market trends.

The information which is collected from the external sources cannot be used directly. It must be first evaluated and arranged in a proper order. It can be then used by the marketing manager for taking decisions and making policies about marketing. So, marketing intelligence is an important component of MIS.

Marketing research:

The third important component of MIS is ‗Marketing Research‘. MR is conducted to solve specific marketing problems of the company. It collects data about the problem. This data is tabulated, analyzed and conclusions are drawn. Then the recommendations are given for solving the problem. Marketing research also provides information to the marketing managers. However, this information is specific information. It can be used only for a particular purpose. MIS and MR are not substitutes of each other. The scope of MIS is very wide. It includes ‗MR‘. However, the scope of MR is very narrow.

Marketing decision support system:

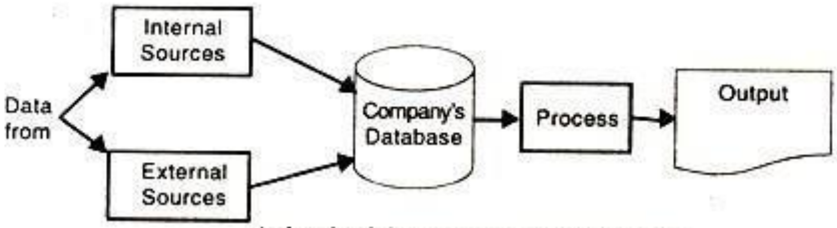
The fourth component of MIS is ‗Marketing Decision Support System‘. These are the tools which help the marketing managers to analyze data and to take better marketing decisions. They include hardware, i.e. computer and software programs. Computer helps the marketing manager to analyze the marketing information. It also helps them to take better decisions. In fact, today marketing managers cannot work without computers. There are many software programs, which help the marketing manager to do market segmentation, price fixing, advertising budgets, etc.

MARKETING INFORMATION SYSTEM TO ACHIEVE ORGANIZATIONAL OBJECTIVES

Every organization must manage the flow of marketing information to its marketing manager. This activity of studying information need and keeping track of the inflow and outflow is termed as Marketing Information System. It can be better defined as given behaviour.

―Marketing Information System consists of people, equipment and procedures to gather, sort, analyse evaluate and distribute needed, timely and accurate information to marketing decision markers.‖

The role of MIS is to assess the manager‘s information needs, so as to help them out in their analysis, planning, implementation and control responsibilities, develop the needed information and distribute the information in a timely fashion. Hence, the information system is concerned with managing the flow of data from inside and outside the organisation to the managers who will use it.



A sketch of the model information system

Developments make the need for MIS greater:

(i) From local to national to global marketing:

After deregulations in various sectors of Indian industry global players have entered into the market, making it very competitive, both in terms of technology and speed. Information about the new product, new technology, new channel of communication and new systems/ processes of buying- has to be assimilated and spread very fast for the company to formulate the marketing strategy and incorporate the new elements.

(ii) From price to non price competition:

Today in the industrial marketing scenario, the negotiations between the buyer and seller is not only on price but the value for money. What the marketer can offer in terms of value added services makes a lot of difference in the competitive environment.

(iii) Explosion of information requirements:

Past few years have witnessed the emergence of computers, cable television, CD ROM drives, multimedia and other devices that have revolutionized information handling and the single most important technological development has been the rise of computerized data capture systems. Some firms have developed advanced marketing information systems that provide valuable input in detail about the buyer's preferences and specifications. Managers cannot handle too much information and it turns out to be of no use to them if it is not in the format required for decision making.

The informational needs of the organisation are basically for marketing planning. For each of the following steps, information is required at the right time and the right format so as to achieve the organizational objectives.

The steps are:

(a) Analysing marketing opportunities:

(i) Competitors data

(ii) Data on government taxes, duties and policies for that

(iii) Particular industry and

(iv) Entry and exit policies of the industry

(b) Developing marketing strategies:

(i) Past sales data

(ii) Financial/marketing objectives of the company

(iii) Opportunities and issues facing the products manufactured and sold

(c) Planning marketing programmes which entails choosing from different alternatives of product price, channel and promotion.

(d) Organising, implementing and controlling the marketing effort:

(i) Forecast data

(ii) Sales history data

(iii) Company sales vs. industry sales data

(iv) Customer feedback data and

(v) Retailers/distributors data

(vi) Data on government taxes, duties and policies for that

(vii) Particular industry and

(viii) Entry and exit policies of the industry.

UNIT - 3

PRODUCT PLANNING AND DEVELOPMENT AND PRICING STRATEGY

MARKETING MIX

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

What are the 4Ps of marketing?

Price: refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

Product: refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.

Place: refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.

Promotion: this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

PRODUCT

Marketer can satisfy needs and wants of target consumers by products. Product is a vehicle or medium that delivers service to customers. It is a bundle of benefits-physical and psychological- that marketer wants to offer, or a bundle of expectations that consumers want to fulfill. Product includes both good and service. In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retail, products are called merchandise. In manufacturing, products are purchased as raw materials and sold as finished goods.

Definition

A product can be defined as anything that can offer to a market for attention, acquisition, use or consumption that could satisfy a need or want. Product not only involves tangible goods such as a car, a fridge or a phone but also include intangible objects. It includes services, events, persons, places, organizations' or even ideas.

–Product is anything that can be offered to someone to satisfy a need or a want.‖

- Philip Kotler

–Product is complex of tangible and intangible attributes, including packaging, colour, price, prestige, and services, which satisfy needs and wants of people.‖

- William Stanton

–Product is a bundle of utilities, consisting of various product features and accompanying services.‖

- W. Alderson

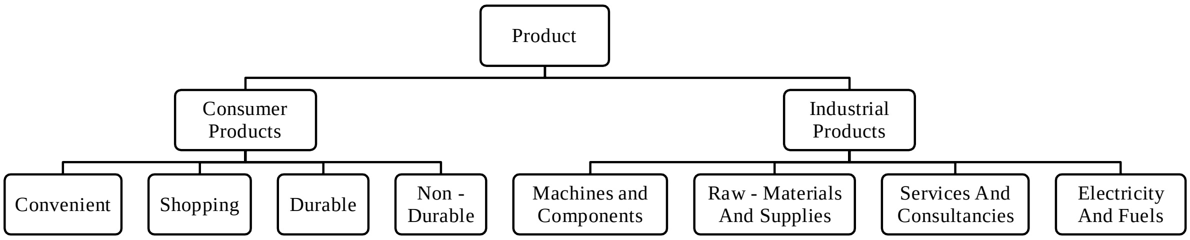
Characteristics of Product

- Product is one of the elements of marketing mix or programme.
- Different people perceive it differently. Management, society, and consumers have different expectations.
- Product includes both good and service.
- Marketer can actualize its goals by producing, selling, improving, and modifying the product.
- Product is a base for entire marketing programme.
- In marketing terminology, product means a complete product that can be sold to consumers. That means branding, labeling, colour, services, etc., constitute the product.
- Product includes total offers, including main qualities, features, and services.
- It includes tangible and non-tangible features or benefits.
- It is a vehicle or medium to offer benefits and satisfaction to consumers.
- Important lies in services rendered by the product, and not ownership of product. People buy services, and not the physical object.

TYPES OF PRODUCT

A company sells different products (goods and services) to its target market and it can be classified into two groups, such as:

- Consumer Product, and
- Industrial Products



Consumer Products

Consumer products are those items which are used by ultimate consumers or households and they can be used without further commercial and engineering processes. Consumer products can be divided into four types as under:

(i) Convenient Products:

Products improve or enhance users' convenience. They are used in a day-to-day life. They are frequently required and can be easily purchased. For example, soaps, biscuits, toothpaste, razors and shaving creams, newspapers, etc. They are purchased spontaneously, without much consideration, from nearby shops or retail malls.

(ii) Shopping Products:

These products require special time and shopping efforts. They are purchased purposefully from special shops or markets. Quality, price, brand, fashion, style, getup, colour, etc., are important criteria to be considered. They are to be chosen among various alternatives or varieties. Gold jewelries, footwear, clothes, and other durables including refrigerator, television, wrist washes.

(iii) Durable Products:

Durable products can last for a longer period and can be repeatedly used by one or more persons. Television, computer, refrigerator, fans, electric irons, vehicles, etc., are examples of durable products. Brand, company image, price, qualities (including safety, ease, economy, convenience, durability, etc.), features (including size, colour, shape, weight, etc.), and after-sales services (including free installation, home delivery, repairing, guarantee and warrantee, etc.) are important aspects the customers consider while buying these products.

(iv) Non-durable Products:

As against durable products, the non-durable products have short life. They must be consumed within short time after they are manufactured. Fruits, vegetables, flowers, cheese, milk, and other provisions are non-durable in nature. They are used for once. They are also known as consumables. Mostly, many of them are non-branded. They are frequently purchased products and can be easily bought from nearby outlets. Freshness, packing, purity, and price are important criteria to purchase these products.

Industrial Products

Industrial products are used as the inputs by manufacturing firms for further processes on the products, or manufacturing other products. Some products are both industrial as well as consumer products. Machinery, components, certain chemicals, supplies and services etc., are some industrial products.

Industrial products include

1) Machines and components
2) Raw-materials and supplies
3) Services and consultancies
4) Electricity and Fuels, etc.

Classification in term of industrial consumer and consumer products is also not possible, For example, electricity, petroleum products, sugar, cloth, wheat, computer, vehicles, etc., are used by industry as the inputs while the same products are used by consumers for their daily use as well. Some companies, for example, electricity, cements, petrol and coals, etc., sell their products to industrial units as well as to consumers. As against consumer products, the marketing of industrial products differs in many ways.

SERVICES

Services are a special form of product which consists of **activities, benefits or satisfactions offered for sale that are intangible and do not result in the ownership of anything.** Services are different than tangible objects. Intangibility, variability, inseparability, perishability, etc., are main features of services. Services make our life safe and comfortable. Trust, reliability, costs, regularity, and timing are important issues. A service can thus include banking, airline travel, communication services, hotel services and so on.

PRODUCT PLANNING

Product planning is the process of creating a product idea and following through on it until the product is introduced to the market. A small company must have an exit strategy for its product in case the product does not sell. Product planning entails managing the product throughout its life using various marketing strategies, including product extensions or improvements, increased distribution, price changes and promotions.

Process of Product Planning

Some of the major process of product planning is as follows

Exploration → Screening → Business Analysis → Development → Test Marketing → Commercialization

Exploration

Product planning begins with the generation and formulation, of ideas or concepts for new products. The product ideas may come from sales persons who are in constant touch with the needs and desires of consumers. Middlemen, research and development department, trade and technical journals, consumers, trade associations, chambers of commerce, government agencies, research laboratories and executives can be other fruitful sources of product ideas. New ideas may also emerge from individual innovators, suggestion schemes, marketing research, cost studies, service organizations, etc. At this stage, the products of competitors, institutes and allied products should also be considered.

Screening

Screening involves a preliminary comparison and evaluation of product ideas to select the most promising idea which warrants further consideration. A large number of ideas may be available. It is necessary to eliminate the ideas which have no potential. Careful screening helps to avoid wastage of time and resources in impracticable or uneconomical ideas. In recent years, leading companies have developed specific criteria for screening. Such criteria consist of

a) Profitability requirements over a period of time;

b) Annual value of production;

c) Unit profit margin;

d) New capital required;

e) Use of existing distribution network, etc.

Business Analysis

Those ideas and concepts which survive the screening stage are put to rigorous economic evaluation. The technical and economic factors involved in the ideas are analyzed in sufficient detail to judge the commercial viability and technical feasibility. A statement of expected costs, sales and profits over a period of time is prepared. Business analysis may also involve some preliminary testing and analytical studies which is known as concept testing.

Development

At this stage, a design or specification of the product is prepared. The product idea is given a practical shape in the form of a working model or prototype. The idea on paper is converted into a physical product. The prototype is tested in the laboratory to ensure that it meets all technical specifications.

Test Marketing

A sample of the product is then tested in a selected market to find but the reactions or responses of consumers. The working model or prototype is produced in a limited quantity and it is tested in the market before starting full scale production.

Commercialization

In this final stage, the product is actually introduced in the market on a full scale. The pricing, channels and promotional methods are finalized. The product is fully integrated into the company‘s normal operations and it no longer remains a new product.

Product Planning and Development

- **Idea Screening** includes evaluating product ideas and feasibility
- **Concept Assessment** includes evaluating design factors and influences
- **Prototype** working model or sample of a product
- **In-house Development** allows companies to control product quality and production; is conducted within the actual company
- **Outsourcing** includes input, decisions and work from businesses and individuals outside of the actual company
- **Focus Groups** include a selected group of people used to analyze and test the concept of a given product Test Markets include marketing or selling a product in an exclusive area; are used to determine potential demand for a product
- **Marketing Research** process of gathering, analyzing and collecting information about a particular target market, competitor or product
- **Commercialization** includes introducing a product to the marketplace
- **Improved Products** include a complete revision or new model of an item
- **Product Variation** consists of making slight variations or changes to an original product.

Benefits of the Marketing Planning Process

It‘s important to take a thoughtful, step-by-step approach to the marketing plan. The following are the benefits of marketing planning process.

- **It encourages revisiting old habits and assumptions.**
- **It reduces risk by adding new facts.**
- **It provides accountability.**
- **It is proactive rather than reactive.**
- **It can become a competitive advantage.**

PRODUCT DEVELOPMENT

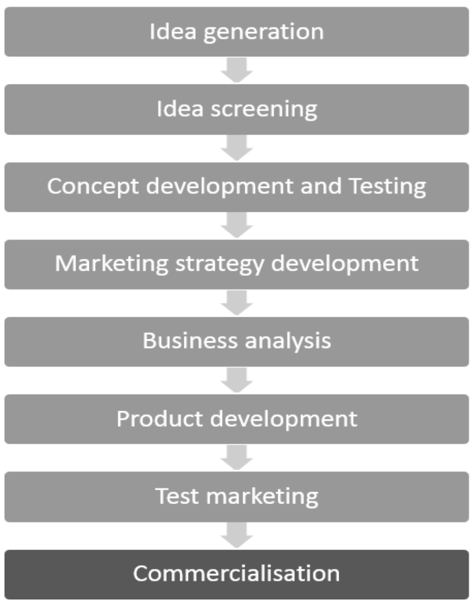
Product development, also called new product management, is a series of steps that includes the conceptualization, design, development and marketing of newly created or newly rebranded goods or services. The objective of product development is to cultivate, maintain and increase a company's market share by satisfying a consumer demand. Product development is a specialized activity. It is done to improve the existing product or to introduce a new product in the market.

A good product development helps to:

- Create new business opportunities and bring growth.
- Boost productivity and profitability of the entrepreneurs.
- Enhance the satisfaction levels of the consumers.

–Product Development is a creation, innovation, utility enhancement or continuous improvement of earlier features (design, service, etc.) of an existing product or developing (manufacturing) an entirely new kind of product to satisfy the requirements of its end-users (consumers).‖

Steps in New Product Development



Idea generation

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

Internal idea sources

The company finds new ideas internally. That means R&D, but also contributions from employees.

External idea sources

The company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.

Idea screening

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs rise greatly in later stages. Therefore, the company would like to go ahead only with those product ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

Concept development and Testing

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms.

- A product idea à an idea for a possible product
- A product concept à a detailed version of the idea stated in meaningful consumer terms
- A product image à the way consumers perceive an actual or potential product.

Marketing strategy development

The next step in the new product development process is the marketing strategy development. When a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

Business analysis

The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company‘s objectives. In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys. Then, it should be able to estimate minimum and maximum sales to assess the range of risk. When the sales forecast is prepared, the firm can estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyse the new product‘s financial attractiveness.

Product development

At this stage, the company has decided to introduce the new product in the market. It will take all necessary steps to produce and distribute the new product. The production department will make plans to produce the product. The marketing department will make plans to distribute the product. The finance department will provide the finance for introducing the new product. The advertising department will plan the advertisements for the new product. However, all this is done as a small scale for Test Marketing.

Test marketing

Test marketing means to introduce the new product on a very small scale in a very small market. If the new product is successful in this market, then it is introduced on a large scale. However, if the product fails in the test market, then the company finds out the reasons for its failure. It makes necessary changes in the new product and introduces it again in a small market. If the new product fails again the company will reject it. Test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made.

Test marketing reduces the risk of large-scale marketing. It is a safety device and is very time-consuming. It must be done especially for costly products.

Commercialization

The final stage in the new product development process is commercialization. It provides information needed to make the final decision: launch or do not launch the new product. Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

Some factors should be considered before the product is commercialized:

Introduction timing: For instance, if the economy is down, it might be wise to wait until the following year to launch the product. However, if competitors are ready to introduce their own products, the company should push to introduce the new product sooner.

Introduction place: Where to launch the new product? Should it be launched in a single location, a region, the national market, or the international market? Normally, companies don‘t have the confidence, capital and capacity to launch new products into full national or international distribution from the start. Instead, they usually develop a planned market rollout over time.

In all of these steps of the new product development process, the most important focus is on creating superior customer value. Only then, the product can become a success in the market. Only very few products actually get the chance to become a success. The risks and costs are simply too high to allow every product to pass every stage of the new product development process.

PRODUCT MIX

Product mix, also known as product assortment, refers to the total number of product lines a company offers to its customers. For example, The company may sell multiple lines of products. Product lines may be fairly similar, such as dish washing liquid and bar soap, which are both used for cleaning and use similar technologies or the product lines may be vastly different, such as diapers and razors. The four dimensions to a company's product mix include width, length, depth and consistency.

Length

The length element of the product mix refers to the number of products in a given product line. For instance, the length of a grocery retailer‘s soft drink product line is the number of distinct brands it carries. A longer product line means consumers have more options and access to greater assortment.

Breadth

Breadth of the product mix refers to the number of product lines that a company offers. Offering a wider array of product lines is common for discount and department that sell products in a number of different product categories. Manufacturers develop breadth to diversify risks of a given product becoming obsolete. Retailers with wide variety often attempt to market themselves in a virtual one-stop shop.

Depth

Depth is closely related to length in the product mix in the sense that it offers the consumer options when selecting a given product. Depth refers to the different ways that consumers buy in a particular product in a product line. For example buy dish soap in liquid, powder or gel form. These options further enhance the flexibility as a buyer.

Consistency

The consistency element of the product mix refers to the connection between products within the product line and the way they reach the consumer. For manufacturers, consistency refers to how closely related production processes are for various products. The more consistent production is, the more efficient and cost-effective. For retailers, consistency in a product mix makes it easier to perform suggestive selling and recommend close products. Distinct products in the mix typically translate to a unique selling process for that product.

PRODUCT ADJUSTMENT/MODIFICATION

It is normal for products to be changed several times during their lives. If a change can provide superior satisfaction and win more initial buyers and switchers from other brands, then a change is probably warranted. There are definite risks involved: a dramatic increase in product quality might price the existing target consumer out of the market. Similarly, the removal of a particular product feature might be the one characteristic of the product considered most important by a market segment.Factors such as quality, function, price, service, design, packaging, and warranty may all be determinants. This evaluative process requires marketing research studies to learn of improvements buyers might want, evaluate the market reception given to the competitors ‗s improvements, and evaluate improvements that have been developed within the company.

There is a relationship with the product research and development (R&D) department. Ideally, R&D should be able to respond quickly to the marketing department‘s requests for product upgrades and should maintain ongoing programs of product improvement and cost reduction.

PRODUCT POSITIONING AND REPOSITIONING

Product positioning is a strategic management decision that determines the place a product should occupy in a given market – its market niche. The word ―positioning‖ includes several common meanings of position:

- Place (what place does the product occupy in its market?)
- Rank (how does the product fare against its competitors in various evaluative dimensions?)
- Mental attitude (what are consumer attitudes?)
- Strategic process (what activities must be attempted in order to create the optimal product position?)

Thus, positioning is both a concept and a process. The positioning process produces a position for the product, just as the segmentation process produces alternative market segments. Positioning can be applied to any type of product at any stage of the lifecycle.

Product repositioning involves changing the market‘s perceptions of a product or brand so that it can compete more effectively in its present market or in other market segments. Changing market perceptions may require changes in the tangible product or in its selling price. However, the new differentiation is accomplished through a change in the promotional message. To evaluate the position and to generate information about the future positioning strategies, it is necessary to monitor the position over time. A product position may change readily; keeping track and making necessary adjustments is very important.

PRODUCT LINE

Product Line is an array of related products, under a specific brand, offered by a particular company to its customers. A company could have one line or several lines, but all the products within this line or lines would be the mix.

For Example: Amul offers a series of closely related products such as milk, butter, ghee, dahi, yoghurt, ice cream, Gulab jamun, flavoured milk, chocolate, etc.

PRODUCT LINE EXTENSION

When a new product is introduced by the company which is a quite different from the company‘s current range of products is called **Product line extension**. It expands the choice of the customers under a single brand.

For Example - John Doe Inc. produces cookies. It may want to reach out to new customers, so it adds sugar-free cookies to its line of products. It aims these new cookies at consumers with diabetes.

A product line extension is the use of an established product‘s brand name for a new item in the same product category. Line extensions occur when a company introduces additional items in the same product category under the same brand name, such as new flavors, forms, colors, added ingredients, or package sizes. The company can extend its product line down-market, up-market, or in both directions.

Down-Market Stretch: a company positioned in the middle market may want to introduce a lower-priced line for any of three reasons: (a) the company may notice strong growth opportunities as mass retailers such as Wal-Mart attract a growing number of value-seeking shoppers; (b) the company may wish to tie up lower-end competitors who might otherwise try to move up-market; or (c) the company may find that the middle market is stagnating or declining.

Up-Market Stretch: companies may wish to enter the high end of the market for more growth, higher margins, or simply to position themselves as full-line manufacturers

Product Line Breadth: The breadth of the product mix consists of all the product lines that the company has to offer to its customers.

MERITS OF PRODUCT LINE EXTENSION

1) **Risk**: The risk of new product development reduces when the new variant is launched to the existing product line. The present customers are familiar with the existing product line and if a new product offers the same quality and fulfils the needs of the customers, that it claims, then it results in the reduction of risk
2) **Customer Loyalty**: When a company extends its product line by introducing a varied product, the customers will choose the company‘s product over its competitors which will help in maintaining customer loyalty.
3) **Market expansion**: It is obvious that the extension in the product line will widen the choice of customers and thus increase market share. The company can also offer higher and low price version to cater different customer segments, which meets customer requirements.
4) **Branding**: Customers are likely to buy the product offered by an existing and familiar brand. Nevertheless, branding becomes difficult when the company offers low-priced line products, as it may harm the parent brand if less quality is offered. In such a case it is better to offer a low-priced product with different brand name.
5) **Product versions**: Introducing a number of versions of a single product, is considered as low-risk strategy, wherein each version may have some additional or reduced features, as compared to the basic one. This may help in attracting more and more customers.

Reasons to expand a product line

Expanding a product line is an important growth strategy for small businesses that want to increase revenue or market share. A product line is a group of products or services in the same category, such as pet foods, engineering components or IT support services. Product-line expansion can take a number of forms, including new versions of an existing product, upgrades to existing products or completely new products.

Life Cycle

Product-line expansion is important to companies that have products in the late stage of its life cycle. Products typically move through four stages: introduction, growth, maturity and decline. Products are in the decline stage when they no longer meet customer needs or when their performance becomes inferior to products that have taken advantage of newer materials or technologies. To avoid losing business to competitors with higher performance products, companies must upgrade their existing products or develop new products that can compete effectively.

Market Opportunities

Product-line expansion enables companies to take advantage of opportunities in different market sectors. A pet food manufacturer, for example, might identify profitable opportunities to market pedigree versions of its current offerings. An IT support consultancy might identify a profitable niche sector in troubleshooting domestic broadband services. Those companies can expand their product lines by customizing existing products and services or introducing new products that match customer needs in the target sectors.

Customer Needs

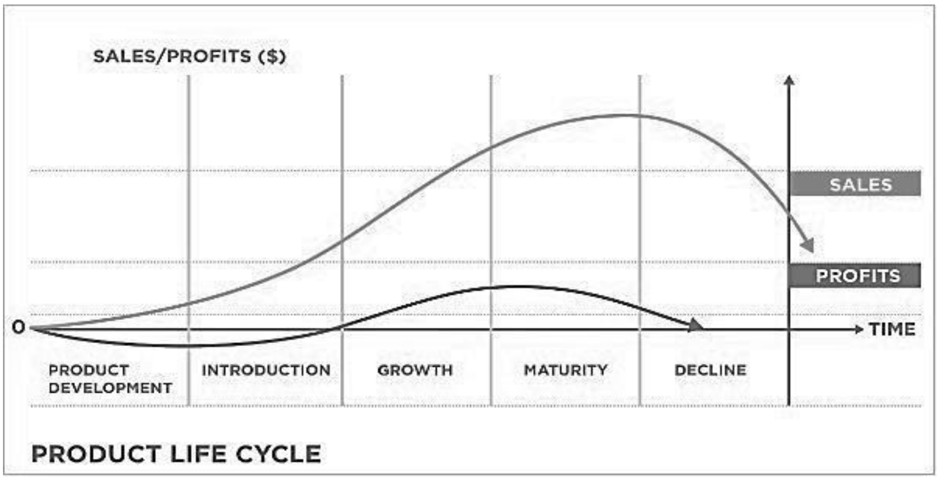
Introducing products that meet changing customer needs is an important driver of product-line expansion. Encouraging feedback through surveys or monitoring customer comments on social networks provides valuable insight into customers' needs and preferences. A high level of favorable comments on a particular product feature that competitors offer is a good indicator of an opportunity for line expansion. Inviting customers to collaborate or contribute to product development also highlights opportunities and focuses attention on development priorities.

Customer Loyalty

Expanding a product line can help to increase customer loyalty. Adding new products or variants of existing products enables companies to sell more to existing customers, without the effort and cost of acquiring new customers. Companies research the purchasing records of existing customers to identify products that competitors are currently supplying. An engineering components supplier, for example, can develop new products to manufacture or buy in products from other suppliers to offer customers greater variety.

PRODUCT LIFE CYCLE

The product life cycle describes the period of time over which an item is developed, brought to market and eventually removed from the market. It is the timeline of demand for the product from its initial stage of introduction.



Stages of Product Cycle

Product life cycle can be defined as the life cycle of the product. It means the various stages a product sees in its complete life span.

Product life cycle comprises of the following four stages −

- Introduction or innovation
- Growth
- Maturity
- Decline

Introduction Stage

The product is introduced in the market in this stage; it is the initial stage of the product. Sales of the product are low in this stage because there may not be a need of the product in the market. The product may undergo brand trouble. In this stage, there is very little or no profit. The demand for the product is created and developed in this stage. After this initial stage, the next stage of the product is the growth stage.

Growth Stage

In this stage, the demands and market share increases as well as competition emerges in the market. Generally, the price remains constant in this stage. Marketing and promotional expenses increase. There is rapid increase in sales. The manufacturing cost decreases so there is increase in profit margin. It penetrates other market segment. In the growth stage, there is a boom in the demand of the product and the profit increases substantially.

Maturity Stage

The price of the product is comparatively low, but the advertisement and promotion cost increases in this stage. This stage remains for a comparatively longer duration. In this stage, there is high competition. Profit is decreased. Sales growth can be divided into the following three categories in the maturity stage −

- Growth
- Stability
- Decay

In growth, there is an increase in the demand of the product. In stability, the demand of the product remains constant. In decay, there is a slight decrease in the demand.

Decline Stage

There is a decrease in sales in this stage. Demand of product also decreases. There is decrease in the price of the product. Margins are lowered. There is introduction of new product in market. New strategies are implemented. This is the final stage of the product. There is a decrease in demand and sales of the product.

Importance of Product Life Cycle

Product life cycle is an important tool for market forecasting, planning and control. The situation of the product can be analyzed properly and changes can be made in order to increase profit.

The following are the important features:

- Helpful in formulating a proper production and pricing policy.
- Helpful in modifying the marketing policy.
- Helpful to the marketer regarding competition.
- Cautions the management about the decline stage of the product.

Extending The Product Life Cycle

Extending the product life cycle can be done through:

- **Advertising:** Its purpose is to get additional audience and potential customers.
- **Exploring and expanding to new markets:** By conducting market research and offering the product (or some adapted form of it) to new markets, it is possible to get more customers.
- **Price reduction**: Many customers are attracted by price cuts and discount tags.
- **Adding new features:** Adding value to the product catches the attention of many buyers.
- **Packaging:** New, attractive, useful or eco-friendly packaging influences the target customers.
- **Changing customer consumption habits:** Promoting new trends of consumption can increase the number of customers.
- **Special promotions:** Raising interest by offering Jackpot and other offers.
- **Heightening interest:** Many of the following things attract many customers who match

- **Certain profiles:** Eco-friendly production processes, good work conditions, funding the efforts of non-profit organizations (cancer cure, anti-war efforts, refugees, GLTBI, environment and animal protection, etc.) and the like.

Product Life Cycle Management (PLM)

Product life cycle management (PLM) is the integration of all aspects of a product, taking it from conception through the product life cycle (PLC) to the disposal of the product and components. PLM merges the comprehensive vision that an organization has for managing the data, people, software, manufacturing, marketing, and overall plans for the product.

PLM lowers the cost and speeds the time to market for new product development (NPD). Whether the new product consists of incremental or derivative changes to old products, groundbreaking new items, or the next generation of platform, there need to be a process for each organization to manage them. A good PLM is holistic, manages and secures the product information, and ensures that business processes use and build upon the information.

Three main elements of PLM are:

- **Information and Communication Technology (ICT):** This is all about the necessary unified platforms and systems, including the architecture, tools, and standards.
- **Processes:** This includes all of the people, skills, and organizations involved.
- **Methods:** This is the procedures, rules, and practices.

PLM is proliferating because the economy has gone global. Outsourcing and new supply chain initiatives, along with shorter production runs require that companies have reliable and up-to-the-minute information for manufacturing. And because the internet makes it feasible to share information quickly with far away partners. PLM allows for the adjustment of manufacturing specifications during production.

PLM increases the speed to market in several different ways:

- Managing the changes over time
- Keeping the organization up-to-date with the product knowledge
- Integrating the enterprise systems
- Logging the raw materials and parts
- Tracking the manufacturing procedures
- Managing product intent and customer expectations
- Cataloging the chemical and physical properties
- Maintaining version history and control
- Keeping record of past, present, and future concepts and products
- Recording changes in customer demands, regulations, improvements, and costs

PRODUCT DIVERSIFICATION

The process of expanding business opportunities through additional market potential of an existing product. Diversification may be achieved by entering into additional markets and/or pricing strategies. Often the product may be improved, altered or changed, or new marketing activities are developed. The planning process includes market research, product adaptation analysis and legal aspects.

Objectives of Product Diversification

- To gain stability in the firm‘s earnings and organisation.
- To attain efficiency in the utilization of a firm‘s resources — human, physical and financial.
- To increase sales of basic products and exploit the value of an established trade mark.
- To increase the profits by offering different types of products.
- To meet the demands and convenience of the diversified retailers.
- To make profitable use of marketing opportunities.

PRODUCT MODIFICATION

An adjustment made to an existing product, usually made for greater appeal or functionality. A modification may include a change to a product's shape, adding a feature or improving its performance. Often a product modification is accompanied by a change in packaging. It is done in the maturity stage of the product life cycle to give a brand a competitive advantage. There are three major ways of product modification, i.e. quality modifications, functional modifications, and style modifications.

1) **Quality modifications:** These are changes that relate to a product's dependability and durability and usually are executed by alterations in the materials or production process employed. Reducing a product's quality may allow an organization to lower the price and direct the item at a larger target market. The quality of a product may give a firm an advantage over competing brands and may allow the firm to charge a higher price because of increased quality.

2) **Functional modifications:** Changes that affect a product's versatility, effectiveness, convenience, or safety are called functional modifications. They usually require redesigning the product.

   Functional modifications can make a product useful to more people, which enlarge the market for it. This type of change can place a product in a favorable competitive position by providing benefits not offered by competing items. Functional modifications can also help an organization to achieve and maintain a progressive image.

3) **Style modifications:** Style modifications are directed at changing the sensory appeal of a product by altering its taste, texture, sound, smell, or visual characteristics. Through style modifications a firm can differentiate its product from competing brands and perhaps gain a sizable market share for this unique product. The major

drawback in using style modifications is that their value is determined subjectively. Although a firm may modify a product to improve the product's style, customers may find the modified product to be less appealing.

PRICING STRATEGY

The amount to be paid for any goods or service is called price. Price is one of the important factors of marketing mix. This is also the main source of income of any business organization. Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others.

Pricing

The task of fixing reasonable value of any product or services is called pricing. It is the process whereby a business sets the price at which it sells its products and services. In setting prices, the business has to consider the price at which it could acquire the goods, the manufacturing cost, the market place, competition, market condition, brand, and quality of product.

The needs of the consumer can be converted into demand only if the consumer has the willingness and capacity to buy the product. Thus, pricing is the most important concept in the field of marketing; it is used as a tactical decision in response to comparing market situations.

Definition

Pricing is the method of determining the value a producer will get in the exchange of goods and services. Simply, pricing method is used to set the price of producer‘s offerings relevant to both the producer and the customer.

Every business operates with the primary objective of earning profits, and the same can be realized through the Pricing methods adopted by the firms.

While setting the price of a product or service the following points have to be kept in mind:

- Nature of the product/service.
- The price of similar product/service in the market.
- Target audience i.e. for whom the product is manufactured (high, medium or lower class)
- The cost of production viz. Labor cost, raw material cost, machinery cost, inventory cost, transit cost, etc.
- External factors such as Economy, Government policies, Legal issues, etc.

Price Mix

Price Mix is the value of the product determined by the producers. Price mix includes the decisions as to: Price level to be adopted; discount to be offered; and, terms of credit to be allowed to customers.

Importance of Pricing

Pricing is important to the economy, to the organization and to the customers. The importance of pricing has been increasing substantially in the recent years. Some of the importance of the pricing in the business can be:

(1) Price is the Pivot of an Economy:

Price is the prime mover of the wheels of the economy namely, production, consumption, distribution and exchange. As price is a sacrifice of purchasing power, it affects the living standards of the society; it regulates business profits and, hence, allocates the resources for the optimum output and distribution. Price policy is a weapon to realize the goals of planned economy where resources can be allocated as per planned priorities. Thus, it acts as powerful agent of sustained economic development.

(2) Price regulates demand:

Marketing manager can regulate the product demand through this powerful instrument. Price increases or decreases the demand for the products. To increase the demand, reduce the price and increase the price to reduce the demand. Price has a special role to play in developing countries where the marginal value of money is high than those of advanced nations. De-marketing strategy can be easily implemented to meet the rising demand for goods and services.

(3) Price is competitive weapon:

Price does not stand alone as a device for achieving a competitive advantage. Any company whether it is selling high or medium or low priced merchandise will have to decide as to whether its prices will be above or equal to or below its competitors. This is a basic policy issue that affects the entire marketing planning process. Since the product life span is directly related to the product‘s competitiveness, pricing at any point in the life-cycle should reflect prevailing competitive conditions.

(4) Price is the determinant of profitability:

Price of a product or products determines the profitability of a firm, in the final analysis by influencing the sales revenue. In the firm, price is the basis for generating profits. Price reflects corporate objectives and policies and it is an important ingredient of marketing mix. Price changes can be made more quickly than any other changes in the product, channel, and personal selling and sales-promotion includes advertising. The impact of price rise or fall is reflected instantly in the rise or fall of the product profitability, thinking that other variables are unaffected.

(5) Price is a decision input:

In the areas of marketing management, countless and crucial decisions are to be made. Price as an indicator has a special role in the decision-making process in developing countries because, consumer response to price changes will be more quick and tangible as people have higher marginal value of money at their disposal. For Example, if it is a decision regarding selecting product improvement possibilities, select that possibility which gives the highest price as compared to the cost.

Pricing Objectives

The following are the pricing objectives that clear the purpose for which the business exists:

(1) Survival:

The foremost Pricing Objective of any firm is to set the price that is optimum and help the product or service to survive in the market. The survival should be the short term objective once the firm gets a hold in the market it must strive for the additional profits. Each firm faces the danger of getting ruled out from the market because of the intense competition, a mature market or change in customer‘s tastes and preferences, etc. Thus, a firm must set the price covering the fixed and variable cost incurred without adding any profit margin to it. The New Firms entering into the market adopts this type of pricing objective.

(2) Maximizing the current profits:

Many firms try to maximize their current profits by estimating the Demand and Supply of goods and services in the market. Pricing is done in line with the product‘s demand in the customers and the substitutes available to fulfill that demand. Higher the demand higher will be the price charged.

(3) Capturing huge market share:

Many firms charge low prices for their offerings to capture greater market share. Higher sales volume leads to lower production cost and increased profits in the long run. This strategy of keeping the price low is also known as Market Penetration Pricing. This pricing method is generally used when competition is intense and customers are price sensitive. FMCG industry is the best example for this strategy.

(4) Market Skimming:

Market skimming means charging a high price for the product and services offered by the firms which are innovative, and uses modern technology. The prices are comparatively kept high due to the high cost of production incurred because of modern technology. Mobile phones, Electronic Gadgets are the best examples of skimming pricing that are launched at a very high cost and gets cheaper with the span of time.

(5) Product –Quality Leadership:

Many firms keep the price of their goods and services in accordance with the Quality Perceived by the customers. Generally, the luxury goods create their high quality, taste, and status image in the minds of customers for which they are willing to pay high prices. Luxury cars such as BMW, Mercedes, Jaguar, etc. create the high quality with high-status image among the customers.

FACTORS INFLUENCING PRICING DECISION

Pricing of a product is influenced by various factors as price involves many variables. Factors can be categorized into two, depending on the variables influencing the price.

Internal Factors

The following are the factors that influence the increase and decrease in the price of a product internally −

- Marketing objectives of company
- Consumer‘s expectation from company by past pricing
- Product features
- Position of product in product cycle
- Rate of product using pattern of demand
- Production and advertisement cost
- Uniqueness of the product
- Production line composition of the company
- Price elasticity as per sales of product

Internal factors that influence pricing depend on the cost of manufacturing of the product, which includes fixed cost like labor charges, rent price, etc., and variable costs like overhead, electric charges, etc.

External Factors

The following are the external factors that have an impact on the increase and decrease in the price of a product −

- Open or closed market
- Consumer behavior for given product

- Major customer negotiation
- Variation in the price of supplies
- Market opponent product pricing
- Consideration of social condition
- Price restricted as per any governing authority

External factors that influence price depend on elements like competition in market, consumer flexibility to purchase, government rules and regulation, etc.

PROCESS OF PRICE DETERMINATION

The market price is the price determined by the free play of demand and supply. The market price of a product affects the price paid to the factors of production – rent for land, wages for labor, interest for capital and profit for enterprise. In fact, price becomes a basic regulator of the entire economic system because it influences the allocation of these resources.

The pricing decisions must take into account all factors affecting both demand price and supply price. The price determination process involves the following steps:

(1) Market Segmentation:

On the basis of market opportunity analysis and assessment of firms strengths and weaknesses marketers have to find out specific marketing targets in the form of appropriate market segments. Marketers have firm decision on : (a) the type of products to be produced or sold, (b) the kind of service to be rendered, (c) the costs of operations to be estimated, and (d) the types of customers or market segments sought.

(2) Estimate of Demand:

A marketer has to estimate total demand for the products. It will be based on sales forecast, channel opinions and degree of competition in the market.

(3) Market Share:

Marketers have to choose a brand image and the desired market share on the basis of competitive reaction. Market planners must know exactly what his rivals are charging. Level of competitive pricing enables the firm to price above, below, or at par and such a decision is easier in many cases. Higher initial price may be preferred if the marketer expect a smaller market share, and vice versa.

(4) Marketing Mix:

The overall marketing strategy is based on an integrated approach to all the elements of marketing mix. It covers: (1) product-market strategy, (2) promotion strategy, (3) pricing strategy, and (4) distribution strategy. All elements of the marketing mix are essential to the overall success of the firm. Price is the strategic element of marketing mix as it influences the quality perception and enables product positioning.

(5) Estimate of Costs:

Marketing must take into account all relevant costs as well as price elasticity of demand, if necessary, through market tests.

(6) Pricing Policies:

Price policies provide the general framework within which managerial decisions are made on pricing. Marketer may have fixed or flexible pricing policies. Pricing policies must change and adapt themselves with the changing objectives and changing environment.

(7) Pricing Strategies:

Pricing policies are general guidelines for recurrent and routine issues in marketing. Strategy is a plan of action to adjust with changing conditions of the market place. New and unanticipated developments may occur, e.g., price cut by rivals, government regulations economic recession, fluctuations in purchasing power of consumers, changes in consumer demand, and so on. Situations like these demand special attention and relevant adjustments in our pricing policies and procedures.

(8) The Price Structure:

Developing the price structure on the basis of pricing policies strategies is the final step in price determination process. The price structure will define the selling prices for all products and permissible discounts and allowances to be given to distributor‘s, co-dealers as well as various types of buyers.

KINDS OF PRICING

(1) Odd Pricing

When the price of a product is an odd number, such a pricing method is known as odd pricing. Example: Conventionally, Some Shoe Company fixes the price of shoes and chappals by the method of odd pricing, e.g., Rs.399.95 Ps. The reason for fixing the price as an odd number is quite obvious. Rs.399.95 Ps sounds better than Rs.400. An impression that the price is less is being created.

(2) Psychological Pricing

When the price of a product is a round number, such a method of pricing is known as psychological pricing. For example, a product may be priced Rs.10 or Rs.15. Such a method is preferred by those marketers who do not believe in the technique of odd pricing.

(3) Price based on the prevailing or ruling price

Such a method is followed by those marketers who want to fall in line with their competitors. They keep the same price as decided already by their rivals. Example: Manufacturers of cement follow a uniform price policy (Oligopoly market).

(4) Prestige Pricing

This method is followed by those who deal in luxury goods. Such marketers, generally, keep the price of goods high for they think that customers will judge quality by the price. Example: Those who sell cosmetic items, leather goods, electronic items, etc., follow prestige pricing.

(5) Customary Prices

By custom or convention, certain products are sold almost at the same price by different marketers. Example: Milk, butter, coffee powder, soft drinks, etc.

(6) FOB (Free on Board) Pricing

Such a pricing has relevance when goods are to be transported to the buyer‘s place. In case of FOB origin, the transit charges will be born by the buyer himself and in the case if FOB destination, he need not pay the transit charges.

(7) CIF (Cost, Insurance and Freight) Price

In the case of CIF price quotation, the price paid by the buyer (may be an importer) includes cost, insurance and freight charges.

(8) Dual Pricing

It refers to the practice of some marketers who quote two different prices for the same product, one may be for bulk buyers and one for small quantity buyers.

(9) Administered Pricing

The price determined by a marketer based mainly on personal considerations is known as administered pricing. Factors like cost, demand and competition are ignored.

(10) Monopoly Pricing

The price fixed by a marketer who has no competition in the market is known as monopoly pricing.

(11) Price Lining

In this case, the price, once determined, remains unchanged for a fairly longer period of time.

(12) Expected Pricing

The price fixed for a product based on the expectations of the consumers is known as expected pricing.

(13) Sealed Tender Pricing

In case of contracts involving heavy outlay, e.g., construction contracts, sealed tenders will be invited from interested parties. The work is then assigned to the one who has quoted the minimum price.

(14) Negotiated Pricing

Manufacturers of industrial goods, who need components from suppliers, negotiate with the latter before finalizing the price. This becomes necessary in view of the high cost of the components.

(15) Mark-up Pricing

It refers to the price arrived at by a retailer by adding a certain percentage (towards his margin of profit) to the manufacturer‗s price. It is only at this price that he sells the goods to the consumers.

(16) Skimming Pricing

It refers to the practice of setting a very high price for a product, when it is introduced into the market for the first time and to reduce the same gradually as competitors enter the market. This has been explained by William J. Stanton as ‗Skim-the-Cream-Pricing‗.

Skimming pricing approach is followed when the marketer is not sure of the correct price for the product and decides to ascertain the same by trial and error. When a high price is set initially and the response of the buyers is good (because they are satisfied with the product quality), it may indicate that the marketer‗s pricing strategy is correct. If the response of the buyers is not so good (they find the price too high) the marketer may reduce his price. Thus, a high initial price offers scope for price reduction when necessary. It has been given the name ‗skimming pricing‗ because it helps to skim (take) the cream of the market that is not really sensitive to price and is mainly quality conscious.

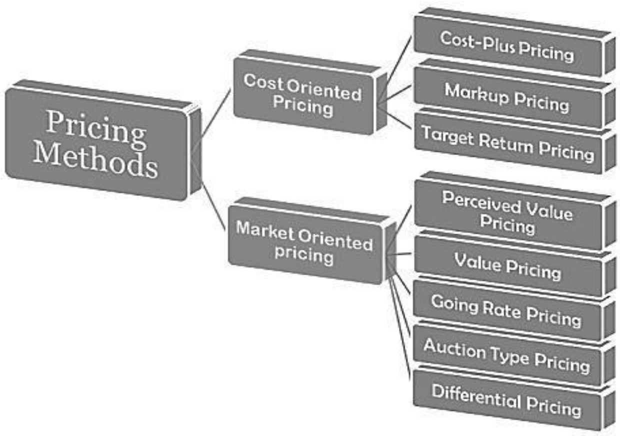
(17) Penetration Pricing

Setting a low initial price for the product is what is penetration pricing. It has been given such a name because it enables the product to penetrate (pierce or go into) the market to find a place. Such a pricing is resorted to when the market for the product is very sensitive to price and the product faces threat from competition always. In the case of penetration pricing, although, profits are sacrificed in the initial years, profits are expected to accrue in the long-run.

PRICING METHODS:

The pricing methods can be broadly classified into two parts:

1) Cost Oriented Pricing Method
2) Market Oriented Pricing Method



Cost-Oriented Pricing Method

Many firms consider the Cost of Production as a base for calculating the price of the finished goods. Cost-oriented pricing method covers the following ways of pricing:

Cost-Plus Pricing

It is one of the simplest pricing method wherein the manufacturer calculates the cost of production incurred and add a certain percentage of markup to it to realize the selling price. The markup is the percentage of profit calculated on total cost i.e. fixed and variable cost.

Example: If the Cost of Production of product-A is Rs 500 with a markup of 25% on total cost, the selling price will be calculated as:

Selling Price= cost of production + Cost of Production × Markup Percentage/100

Selling Price=500+500 × 0.25= 625

Thus, a firm earns a profit of Rs 125 (Profit=Selling price- Cost price)

Markup Pricing

This pricing method is the variation of cost plus pricing wherein the percentage of markup is calculated on the selling price.

Example: If the unit cost of a chocolate is Rs 16 and producer wants to earn the markup of 20% on sales then mark up price will be:

Markup Price= Unit Cost/ 1-desired return on sales

Markup Price= 16/1-0.20 = 20

Thus, the producer will charge Rs 20 for one chocolate and will earn a profit of Rs 4 per unit.

Target-Return pricing

In this kind of pricing method the firm set the price to yield a required Rate of Return on Investment (ROI) from the sale of goods and services.

Example: If soap manufacturer invested Rs 1,00,000 in the business and expects 20% ROI i.e. Rs 20,000, the target return price is given by:

Target return price = Unit Cost + (Desired Return × capital invested)/ unit sales

Target Return Price=16 + (0.20 × 100000)/5000Target Return Price= Rs 20

Thus, Manufacturer will earn 20% ROI provided that unit cost and sale unit is accurate. In case the sales do not reach 50,000 units then the manufacturer should prepare the break-even chart wherein different ROI‘s can be calculated at different sales unit.

Market-Oriented Pricing Method:

Under this method price is calculated on the basis of market conditions. Following are the methods under this group:

Perceived-Value Pricing:

In this pricing method, the manufacturer decides the price on the basis of customer‘s perception of the goods and services taking into consideration all the elements such as advertising, promotional tools, additional benefits, product quality, the channel of distribution, etc. that influence the customer‘s perception.

Example: Customer buy Sony products despite less price products available in the market, this is because Sony company follows the perceived pricing policy wherein the customer is willing to pay extra for better quality and durability of the product.

Value Pricing:

Under this pricing method companies design the low priced products and maintain the high-quality offering. Here the prices are not kept low, but the product is re-engineered to reduce the cost of production and maintain the quality simultaneously.

Example: Tata Nano is the best example of value pricing, despite several Tata cars, the company designed a car with necessary features at a low price and lived up to its quality.

Going-Rate Pricing:

In this pricing method, the firms consider the competitor‘s price as a base in determining the price of its own offerings. Generally, the prices are more or less same as that of the competitor and the price war gets over among the firms.

Example: In Oligopolistic Industry such as steel, paper, fertilizer, etc. the price charged is same.

Auction Type Pricing:

This type of pricing method is growing popular with the more usage of internet. Several online sites such as eBay, Quikr, OLX, etc. provides a platform to customers where they buy or sell the commodities.

There are three types of auctions:

1) ***English Auctions-***There is one seller and many buyers. The seller puts the item on sites such as Yahoo and bidders raise the price until the top best price is reached.

2) ***Dutch Auctions–*** There may be one seller and many buyers or one buyer and many sellers. In the first case, the top best price is announced and then slowly it comes down that suit the bidder whereas in the second kind buyer announces the product he wants to buy then potential sellers competes by offering the lowest price.

3) ***Sealed-Bid Auctions*:** This kind of method is very common in the case of Government or industrial purchases, wherein tenders are floated in the market, and potential suppliers submit their bids in a closed envelope, not disclosing the bid to anyone.

Differential Pricing: This pricing method is adopted when different prices have to be charged from the different group of customers. The prices can also vary with respect to time, area, and product form.

Example: The best example of differential pricing is Mineral Water. The price of Mineral Water varies in hotels, railway stations, and retail stores.

Thus, the companies can adopt either of these pricing methods depending on the type of a product it is offering and the ultimate objective for which the pricing is being done.

Unlike the other ingredients of the marketing mix, price generates revenue, so arriving at the correct price is vital to the success of the business. A firm should be constantly research the market to identify a correct policy for its product or service. Firms may use a combination of pricing strategies in response to changes in the market and the marketing activities of competitors.

UNIT - 4

CHANNEL OF DISTRIBUTION-I

INTRODUCTION

The goods are produced at one place but the customers are scattered over a wide geographical area. Thus, it is very difficult for a producer to distribute his products all over the country. Therefore, he takes the help of some intermediaries to distribute his goods. For example, Maruti cars are manufactured at Gurgaon but are available all over the country with the help of intermediaries. A channel of distribution or trade channel is the path or route along which goods move from producers to ultimate consumers or industrial users.

It is the pipeline through which products flow during their journey to the market. A trade or marketing channel consists of the producer, consumers or users and the various middlemen who intervene between the two. The channel serves as a connecting link between the producer and consumers. By bridging the gap between the point of production and the point of consumption, a channel creates time, place and possession utilities.

DEFINITION

Philips Kotler defines channel of distribution as "a set of independent organisations involved in the process of making a product or service available for use or consumption".

Channel of distribution refers to those people, institutions or merchants who help in the distribution of goods and services. Channels of distribution bring economy of effort. They help to cover a vast geographical area and also bring efficiency in distribution including transportation and warehousing. Retailers, Wholesalers are the common channels of distribution.

A channel of distribution represents three types of flows:

a) Goods flow downwards from producer to consumers;

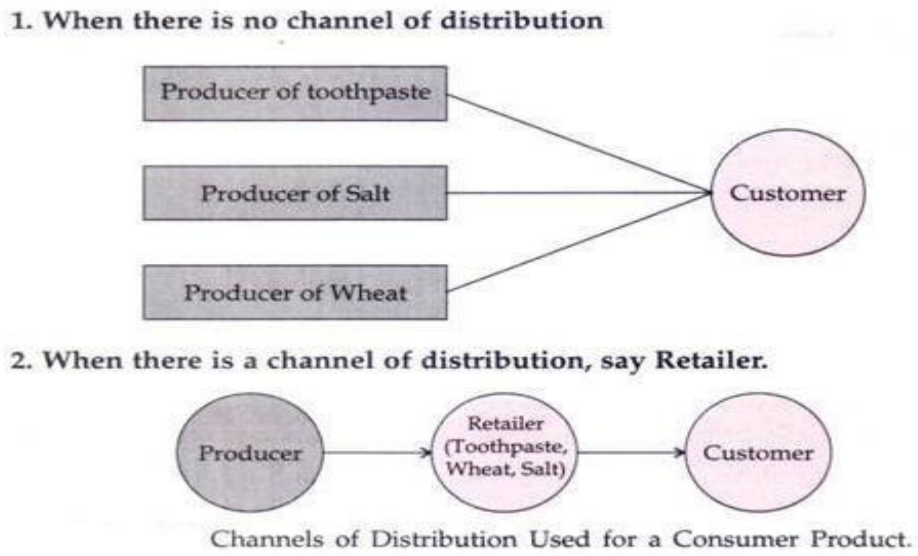
b) Cash flows upwards from consumers to producer as payment for goods; and

c) Marketing information flows in both directions.

The downward flow includes information on new products, new uses of existing products, etc. The upward flow of information is the feedback on the wants, suggestions, complaints, etc. of ultimate consumers or users.

Channels of distribution provide convenience to customer. If there were no channels of distribution, customer would have faced a lot of difficulties. Consider following two diagrams:

A Customer wants to purchase toothpaste, salt and wheat.



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Functions of Channels of Distribution:

The main functions performed by the distribution channels are:

1) **Sorting:** Middlemen obtain the supplies of goods from various suppliers and sort them out into similar groups on the basis of size, quality etc.

2) **Accumulation:** In order to ensure a continuous supply of goods, middlemen maintain a large volume of stock.

3) **Allocation:** It involves packing of the sorted goods into small marketable lots like 1Kg, 500gms, 250gms etc.

4) **Assorting:** Middlemen obtain a variety of goods from different manufacturers and provide them to the customers in the combination desired by them. For example, rice from Dehradun & Punjab.

5) **Product Promotion:** Sales promotional activities are mostly performed by the producer but sometimes middlemen also participate in these activities like special displays, discounts etc.

6) **Negotiation:** Middlemen negotiate the price, quality, guarantee and other related matters about a product with the producer as well as customer.

7) **Risk Taking:** Middlemen have to bear the risk of distribution like risk from damage or spoilage of goods etc. when the goods are transported from one place to another or when they are stored in the god-owns.

TYPES OF DISTRIBUTION CHANNELS:

Channel of distribution is of two types viz., (1) Direct Channel (2) Indirect Channel.

Types of Distribution Channels

Direct
- a) Door to door selling
- b) Internet selling
- c) Mail order selling
- d) Company owned retail outlets
- e) Telemarketing

Indirect
- a) Manufacturer – consumer
- b) Manufacturer – retailer - consumer
- c) Manufacturer – wholesaler – retailer – consumer
- d) Manufacturer – agent – retailer – consumer
- e) Manufacturer – agent – wholesaler – retailer - consumer

(1) Direct Channel or Zero Level Channels:

When the producer or the manufacturer directly sells the goods to the customers without involving any middlemen, it is known as direct channel or zero level channel. It is the simplest and the shortest mode of distribution. For example, Mc Donalds, Bata, Mail order etc.

Methods of Direct Channel are:

(a) Door to door selling

(b) Internet selling

(c) Mail order selling

(d) Company owned retail outlets

(e) Telemarketing

(2) Indirect Channels:

When a manufacturer or a producer employs one or more middlemen to distribute goods, it is known as indirect channel.

The main forms of indirect channels are:

(1) Manufacturer - consumer:

This is the shortest and simplest channel involving direct sale of' goods and services by the producer to the consumers. No middleman or intermediary is present between the producer and the consumer. The producer may sell directly to consumers through door-to-door salesman, direct mail and through his own retail stores. For example, Bata India Ltd. has set up its own retail shops throughout the country to sell shoes and other products through direct contact with customers. Industrial products of high value are generally sold through this channel. Some firms use direct selling to distribute consumer products like shoes, clothes, books, hosiery goods and cosmetics. Small producers and those producing perishable commodities also sell directly to the local customers.

This channel is very fast and economical. The producer has direct contact with his customers and full control over distribution. But the expert services of middlemen are not available and the producer himself has to perform all the marketing activities. Large investment is required to create facilities for direct selling. Therefore, this channel is more popular among big and well-established firms. In recent years, direct selling has become increasingly popular due to increasing competition, need for control over distribution costs, wide product lines, technical nature of products, availability of public warehouses and desire to reduce dependence on middlemen.

(2) Manufacturer – retailer - consumer:

In this channel, the manufacturer sells to one or more retailers who in turn sell to the ultimate consumers. Various marketing functions are performed by the producer and the retailers. This channel is popular when the retailers are big and buy in large quantities, e.g., departmental stores, chain stores and super markets. This channel is often used for the distribution of consumer durables and products of high value. Automobiles, home appliances, readymade garments, shoes and perishable products are often sold through this channel. This channel relieves the manufacturer from much burden of selling and at the same time provides him control over distribution.

Manufacturer→ Retailer→ Consumer

(3) Manufacturer – wholesaler – retailer – consumer:

This is the 'traditional' or normal channel of distribution. This is suitable for consumer goods where the producer has limited finance and a narrow product line or where the wholesalers are specialized and provided strong promotional support. Small producers and small retailers find this channel most convenient in case of products with widely scattered markets. This channel is also used in case of consumer durables which are not subject to frequent changes in fashion. Producers of industrial goods may use an industrial distributor who serves as a wholesaler as well as a retailer.

Manufacturer→ Wholesaler→ Retailer→ Customer

(4) Manufacturer – agent – retailer - consumer:

When the retailers are few or geographically concentrated, a manufacturer may employ selling agents and brokers to sell his products to retailers. Sometimes even the retailer is bypassed and the agent sells directly to institutional buyers like consumer cooperatives, business firms, educational institutions and government agencies or departments. This channel is commonly used to sell textiles, agricultural products, machinery and equipment, etc. In case of industrial goods, an agent may be used in place of industrial distributor to reach industrial users.

(5) Manufacturer – agent – wholesaler – retailer - consumer:

This is the longest channel of distribution. It is used when the manufacturer wants to be fully relieved of the problem of distribution. The producer hands over his entire output to the selling agent who distributes it among a few wholesalers. Each wholesaler sells to a number of retailers who in turn sell to ultimate consumers. In case of cloth this channel is widely used. For the sale of many industrial products an industrial distributor is employed due to the storage facilities provided by him. This channel results in wider distribution of the product.

Manufacturer → Agent → Wholesaler → Retailer → Consumer

NATURE AND SIGNIFICANCE OF CHANNEL DECISIONS

Channel decisions refer to the managerial decisions concerning the selection of the most suitable routes or paths for the distribution of goods from the producer to various consumers or users. Such decisions involve choice of a channel, determination of market coverage (number of middlemen) and the selection of particular middlemen or dealers.

The choice of a suitable channel for the distribution of the firm's products is an significant decision area in the field of marketing. It is an important policy decision in marketing management due to the following reasons:

(i) Distribution channel is an vital element of the marketing mix of a firm and other elements are closely interrelated and interdependent on the channel of distribution. Therefore, choice of channel influences other marketing decisions like pricing, promotion and physical distribution. A wrong selection of channel may affect adversely the whole marketing mix of the firm.

(ii) The cost involved in the use of a distribution channel enters the price of the product that the ultimate consumer has to pay. Due to a wrong decision regarding channel, distribution cost may be very high and sales might be very limited. On the other hand, a sound channel decision enables the firm to cut down costs and maximize sales revenue. Thus, channel influences sales volume and profits.

(iii) *A* product or service is really useful to consumers only when it is available at the right time and place. The channel decision determines where and when the product will be available to ultimate consumers or users.

(iv) The relations between the manufacturer and the middlemen depend largely upon the choice of appropriate channels of distribution, involves long-term commitment of the firm. Changes in the channel are very difficult and costly.

(v) If the choice of channels is proper, fluctuations in production can be reduced due to continuous and effective distribution. The stability of production will help to ensure steady employment and proper budgetary control. The manufacturer can continuously monitor the sales and stock of his middlemen to exercise effective control over distribution network.

FACTORS DETERMINING CHOICE OF CHANNELS OF DISTRIBUTION:

There are a number of factors both objective and subjective and varying from company to company which govern choice or selection of channel of distribution. But there are some factors which stand out and influence channel of distribution choice in all cases. They are as follows:

(1) Factors Relating to Product Characteristics:

Product manufactured by a company itself is a governing factor in the selection of the channel of distribution. Product characteristics are as follows:

(a) Nature of Product:

In case of industrial goods like CT scan machine, short channels like zero level channel or first level channel should be preferred because they are usually technical, expensive, made to order and purchased by few buyers. Consumer goods Ike LCD, refrigerator can be distributed through long channels as they are less expensive, not technical and frequently purchased.

(b) Perishable and Non- Perishable Products:

Perishable products like fruits or vegetables are distributed through short channels while non- perishable products like soaps, oils, sugar, salt etc. require longer channels.

(c) Value of Product:

In case of products having low unit value such as groceries, long channels are preferred while those with high unit value such as diamond jewellery short channels are used.

(d) Product Complexity:

Short channels are preferred for technically complex goods like industrial or engineering products like machinery, generators like torches while non-complex or simple ones can be distributed through long channels.

(e) Seasonally:

When the product is subject to seasonal variations, such as woolen textiles in India, it is desirable to appoint sole selling agents who undertake the sale of production by booking orders from retailers and direct mills to dispatch goods as soon as they are ready for sale as per the order.

(f) Standardized Products:

When the products are standardized, each unit is similar in shape, size, weight, colour and quality etc. it is useful to choose indirect channel of distribution. On the contrary, if the product is not standardized and is produced on order, it is desirable to have direct channel of distribution.

(g) *Purchase Frequency:*

Products that are frequently purchased need direct channel of distribution so as to reduce the cost and burden of distribution of such products.

(h) *Newness and Market Acceptance:*

For new products with high degree of market acceptance, usually there is need for an aggressive selling effort. Hence indirect channels may be used by appointing wholesalers and retailers as sole agents. This may ensure channel loyalty and aggressive selling by intermediaries.

(2) Factors Relating To Company Characteristics:

The choice of channel of distribution is also influenced by company‟s own characteristics as to its size, financial position, reputation, past channel experience, current marketing policies and product mix etc. In this connection, some of the main factors are as follows:

(a) *Financial Strength:*

A company which is financially sound may engage itself in direct setting. On the contrary, a company which is financially weak has to depend on intermediaries and, therefore, has to select indirect channel of distribution, such as Wholesalers, retailers, with strong financial background.

(b) *Marketing Policies:*

The Policies relevant to channel decision may relate to delivery, advertising, after-sale service and pricing, etc. For example, a company which likes to have a policy of speedy delivery of goods to ultimate consumers may prefer direct selling and thus avoid intermediaries and will adopt a speedy transportation system.

(c) *Size of the Company:*

A large-sized company handling a wide range of products would prefer to have a direct channel for selling its products. Whereas a small-sized company would prefer indirect selling by appointing wholesalers, retailers etc.

(d) *Past Channel Experience:*

Past Channel experience of the company influences the choice of selection of channel distribution. For example, an old and established company with its past good experience of working with certain kinds of intermediaries will like to opt for the same channel. However, different will be the case in reverse situation.

(e) *Product Mix:*

The wider is the company‟s product mix, the greater will be its strength to deal with its customers directly. Similarly, consistency in the company‟s product mix ensures greater homogeneity or uniformity and similarity in its marketing channels.

(f) Reputation:

In case of companies with outstanding reputation like Tata Steel, Bajaj Scooters, Hindustan Levers etc., indirect channel of distribution (wholesalers, retailers, etc.) is more desirable and profitable.

(3) Factors Relating To Market Or Consumer Characteristics:

Market or consumer characteristics refer to buying habits, location of market, size of orders, etc. They influence the channel choice significantly. They are:

(a) Consumer Buying Habits:

If the consumer expects credit facilities or desires personal services of the salesman or desires to make all purchases at one place, the channel of distribution may be short or long depending on the capacity of the company for providing these facilities. If the manufacturer can afford those facilities, the channel will be shorter, otherwise longer.

(b) Location of the Market:

When the customers are spread over a wide geographical area, the long channel of distribution is most suitable. On the contrary, if the customers are concentrated and localized, direct selling would be beneficial.

(c) Number of Customers:

If the number of customers is quite large, the channel of distribution may be indirect and long, such as wholesalers, retailers, etc. On the contrary, if the number of customers is small or limited, direct selling may be beneficial.

(d) Size of Orders:

Where customers purchase the product in large quantities, direct selling may be preferred. On the contrary, where customers purchase the product in small quantities frequently and regularly, such as cigarettes, matches, etc., long (wholesalers, retailers, etc.) of distribution may be preferred.

(4) Factors Relating to Middlemen Considerations:

The choice of the channel of distribution is also influenced by the middlemen considerations. They may include the following:

(a) Sales Volume Potential:

In selecting channel of distribution, the company should consider the capability of the middlemen to ensure a targeted sales volume. The sales volume potential of the channel may be estimated through market surveys.

(b) Availability of Middlemen:

The company should make efforts to select aggressively oriented middlemen. In case they are not available, it is desirable to wait for some time and then to pick up. In such cases, the company should manage its own channel so long the right types of middlemen are not available.

(c) Middlemen's Attitude:

If the company follows the resale price maintenance policy, the choice is limited. On the contrary, if the company allows the middlemen to adopt their own price policy, the choice is quite wide. Quite a large number of middlemen would be interested in selling company‟s products.

(d) Services Provided by Middlemen:

If the nature of product requires after-sale services, repair services, etc., such as automobiles, cars, scooters etc, only those middlemen should be appointed who can provide such services, otherwise the company will adopt direct selling channel.

(e) Cost of Channel:

Direct selling generally is costlier and thus distribution arranged through middlemen is more economical.

(5) Factors Relating to Environmental Characteristics:

The environmental factors which include competitors‟ channels, economic conditions, legal restrictions, fiscal structure etc., as given below, affect significantly the channel choice.

(a) Economic Conditions:

When economic conditions are bright such as inflation, it is desirable to opt for indirect channel of distribution because there is an all-round mood of expectancy; market tendencies are bullish and favourable. On the contrary, if the market is depressed (such as deflation), shorter channel may be preferred.

(b) Legal Restrictions:

The legislative and other restrictions imposed by the state are extremely formidable and give final shape to the channel choice. For example, in India M.R.T.P. Act, 1969 prevents channel arrangements that tend to substantially lessen competition, create monopoly and are otherwise prejudicial to public interest. With these objectives at the backdrop, it prevents exclusive distributorship, territorial restrictions, resale price maintenance etc.

(c) Competitors' Channel:

This influences the channel choice decision. Mostly, in practice, similar types of channels of distribution used by the competitors are preferred.

(d) Fiscal Structure:

Fiscal structure of a country influences the channel choice decision. For example, in India, State Sales Tax rates vary from state to state and form a significant part of the ultimate price payable by a consumer. As a result, it becomes an important factor in evolving channel arrangements.

Differences in the sales tax rates in two different states would not only bring about difference in the price payable by a consumer but also in the distribution channel selected. Hence the company should appoint the channel in that state where the sales tax rates are quite low, such as in Delhi, and that would give price advantage to the buyers of those states where the sales tax rates are high.

DISTRIBUTION POLICY

After selecting the channel of distribution, a manufacturer has to determine the number of middlemen to be used or the intensity of distribution. This depends on the degree of market coverage desired for the product. Market coverage reflects the channel strategy and can be of three types:

(i) **Intensive Distribution:** Under this strategy, a manufacturer tries to sell his product through every possible outlet in order to obtain the maximum exposure. Such a distribution policy is usually employed for the marketing of consumer products of everyday use, e.g., toothpaste, cigarettes, cosmetics, food products, soaps, etc. Intensive distribution is sometimes used in case of some industrial goods like spare parts, lubricants and other supplies. Intensive distribution can be successful when the manufacturer obtains cooperation from all middlemen and advertises his products on a large scale.

(ii) **Selective Distribution:** Selective distribution implies the use of a few selected middlemen in each sales territory. This policy may be employed at both the wholesale and retail levels. This type of distribution is appropriate in case of speciality goods and accessories. In such products, consumers generally have a brand preference so that the use of every outlet is not necessary. Selective distribution is more economical and provides the manufacturer sufficient control over the distribution of his products. As the number of middlemen is limited, each one of them gets sufficient sales volume which is helpful in securing their cooperation. Dealers are likely to take greater interest in the display and promotion of the products.

(iii) **Exclusive Distribution:** The dealer is granted the exclusive right to sell the product in the specified territory through an agreement with the manufacturer. The dealer is prohibited from dealing in the competitive products. Exclusive selling is adopted in case of shopping and speciality goods enjoying brand loyalty. In the purchase of such goods, the consumer spends lot of time and effort. It is used when the product requires huge investment in stocks and showrooms, e.g., automobiles and household appliances like mixer grinder, cooking range, etc. Exclusive distribution provides full control over distribution and reduces distribution costs. It increases the prestige of the product. However, this policy is less flexible and does not permit wide distribution of the product.

MIDDLEMEN

A channel of distribution includes the original producer, the final buyer and middlemen (or business intermediaries) – either wholesalers or retailers. The middlemen refer to those institutions or individuals which take the title to the goods to negotiate or sell in the capacity of agent or broker. These are those persons who provide link between the manufacturer and the consumer. They facilitate the purchase and sale of goods and services and perform the marketing functions. They charge for their services and to that extent they are responsible for the increase in the cost of the product to the ultimate consumers. They help the manufacturers in selling their products and help the consumers in getting the want satisfying products.

The term "Middlemen" has been defined as under:

American Marketing Association defined the term "middlemen" as "one who specialize in performing operations of rendering services that are directly involved in the purchase a sale of goods in process of their flow from the producers to the users."

Cundiff and Still: – "All middlemen fall into two broad classifications -merchants and agents. A merchant middleman takes title to (buys) and resells merchandise, an agent middleman negotiates purchase or sales or both, but does not take title to the goods in which he deals."

Choice of Middlemen

After deciding the number of middlemen, a manufacturer has to select the particular dealers through whom he will distribute his products. While selecting a particular wholesaler or retailer, the following factors should be taken into consideration:

- Location of the dealer's business premises;
- Financial position and credit standing of the dealer;
- Knowledge and experience of the dealer;
- Storage and showroom facilities of the dealer;
- Ability of the dealer to secure adequate business and to cover the market;
- Capacity of the dealer to provide after-sale service;
- Willingness of the dealer to handle the manufacturer's products;
- The degree of cooperation and promotional service he is willing to provide;
- General reputation of the dealer and his sales force;
- Nature of other products (competitive or complementary), if any, handled by the dealer.

Functions of Middlemen:

In the modern business world, middlemen render the following services/ functions:

1) Middlemen are the furnishers of valuable information to the producers about consumer behaviour, the changes in tastes and fashions, etc.

2) Middlemen allow the manufacturers to concentrate on production only and relieve them from the botheration of marketing.

3) Middlemen render financial help to manufacturers.

4) They make available the goods according to the consumers" needs, fashion, tastes, etc.

5) Middlemen are an important link between the producers and consumers.

The middlemen play a very vital role in the business activities and to maintain the regular chain of supply of goods from the manufacturers to the ultimate consumers, the existence of the middlemen is very essential.

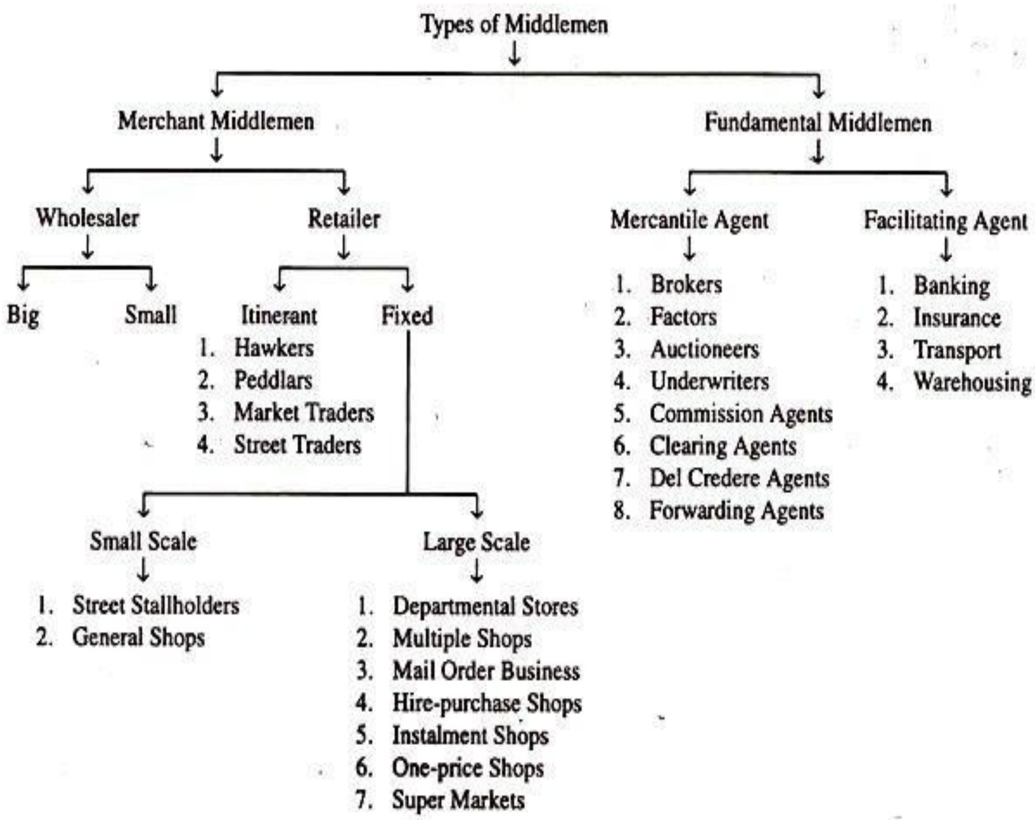
Middlemen Participating in the Channel Function

The distribution channel starts with the producer and ends with the consumer. In between, there are many intermediaries or middlemen. These middlemen are of two types, namely,

1) Merchant middlemen and

2) Agent middlemen.

A merchant middleman is one who takes title to the goods and later carries out sales. An agent middleman, on the other hand, does not take title to goods. He simply gets orders from the buyers and passes on the same to the producers.



The various types of middlemen in the market are:

1) **Wholesalers**: They are the people who buy in bulk from the producers and sell in small quantities to the retailers.
2) **Retailers**: They are the people who buy in small quantities from the wholesalers and sell to the ultimate consumers.
3) **Agents**: They are the middlemen who do not take any title to goods. They render all services required in marketing. They represent either the seller or the buyer. They receive commission for their work.
4) **Brokers**: Like agents, brokers also represent either the buyer or the seller. They do not usually have physical control over the goods in which they deal. Example: share brokers. They get „brokerage‟ for their work.
5) **Dealers**: They are the business houses that resell goods. Example: Viveks, Vasanth & Co. and so on.
6) **Distributors**: They are the same as wholesalers.
7) **Jobbers**: They are associated with stock exchanges. A jobber deals in certain securities. He transacts only with a broker and does not deal directly with the public.
8) **Branches**: These are establishments maintained by manufacturers at different places to promote sales. Example: Bata Shoe Company.
9) **Consumer Co-operatives**: These are owned and managed by the ultimate consumers. Such cooperatives buy and distribute goods mainly to the members.
10) **Company show room**: A company may run its own show room to sell its goods. Example: Philips, BPL and Thomson have their own showrooms in Chennai.
11) **Facilitating Agencies**: These agencies are directly or indirectly involved in the performance of certain marketing functions. These are transport organizations, warehouses, banks, insurance companies and so on.

Arguments in Favor of Middlemen in Channel of Distribution

The following are the top 10 arguments in favour of middlemen.

1) There are many producers who may not have funds to perform the task of distribution. In such a case, it is only the middlemen who relieve such producers of their problems.
2) The consumers of a product are scattered throughout the country. It is, therefore, not possible for a producer to contact each buyer personally. The middlemen, thus, help the producers by distributing their products to the consumers living in different places.
3) The wholesalers, as middlemen, buy in bulk quantities from the manufacturers. Thus, a high inventory turnover is made possible because of the presence of middlemen.
4) The consumers usually buy in small quantities. The wholesalers sell in small quantities to the retailers and thereby enable still smaller quantity sale.
5) The retailers, as middlemen, provide even „*door delivery service*„ to their consumers. The consumers can book their orders also by phone. Some retailers have also introduced „*internet*„ placement of orders.

6) The wholesalers, who are bulk buyers, maintain their own godowns. They store large quantities of goods in such godowns and sell to the requirements of the retailers.
7) Provision of credit is another important service of the middlemen. The wholesalers provide credit to the retailers and many retailers, these days, accept credit cards of their customers.
8) Certain goods are produced only during a particular season but are demanded throughout the year. On the other hand, there are certain goods, which are produced throughout the year but are in demand only during a particular season. In either case, it is only the middlemen who arrange to provide the goods when required.
9) The retail outlets are located in residential areas. As a result, it is possible for a consumer to buy what he wants at any time. He need not have to buy and keep stock of every item.
10) The role of Middlemen is indispensable for producer as they provide market information from time to time. With this market information, the manufacturers are able update their products to time to cope up with the demanding needs of the buyers.

Arguments Against Middlemen

(1) Cost of Distribution

Middlemen hike the cost of the product, which is reflected in the selling price. The cost of distribution increases in view of the presence of middlemen in the market. The entire burden finally falls on the consumer.

(2) Practice of black marketing

Middlemen resort to black-marketing and hoarding and thereby create an artificial demand for the product. This leads to price rise, it is only the consumer who suffers.

(3) Fail to pass on benefits to customers

Sometimes, the middlemen do not pass on certain benefits to the consumers, like samples, price cut, etc., offered by the manufacturers.

(4) Duplicate products

Duplicate products are mixed with genuine products and sold by some unscrupulous retailers.

(5) Selling expired goods

Goods, the expiry date of which has lapsed, are also thrust on the buyers by some retailers. They capitalize on the ignorance of the buyers.

(6) Selling at higher than M.R.P

Some retailers even sell at a price higher than the maximum retail price (M.R.P). They manipulate "local taxes extra" to their advantage.

(7) Fail to replenish exhausted stock

Sometimes, the middlemen fail to replenish the exhausted stock in time. As a result, the consumer has to wait for a longer time to get what he wants.

(8) Poor after sale service

In the case of durable, the attitude of some dealers, particularly when „after sale service" is required, irritates the buyers. Some of the dealers do not extend the courtesy extended earlier at the time of sale.

(9) Prominence to a particular make

Some retailers even have secret pact with certain manufacturers by which they recommend only the products of such manufacturers to their consumers. Prominence is given to the products of only certain manufacturers.

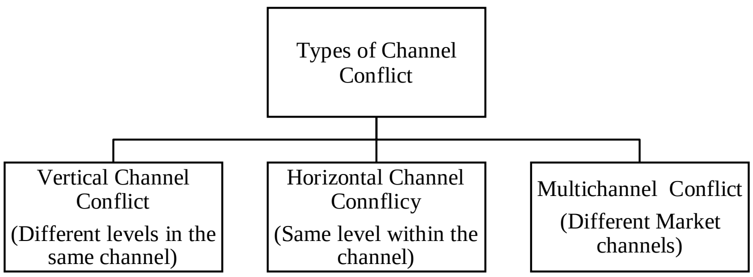
(10) No faithfulness

As a connecting link between the producer and the consumer, the middleman is supposed to be faithful to both. He has to convey the suggestions and complaints of the consumers to the producers and also pass on any useful information, conveyed by the producers, to the consumers. Not many middlemen faithfully carry out such duties.

CHANNEL CONFLICT

Channel conflict occurs when a business sells products or services to the same set of customers through a variety of distribution channels that conflict with each other. It arises when the channel partners such as manufacturer, wholesaler, distributor, retailer, etc. compete against each other for the common sale with the same brand. There is a conflict among the channel partners when one prevents the other from achieving its objective. It is a situation when a producer or supplier bypasses the normal channel of distribution and sells directly to the end user. It results in a huge loss for all the partners in the channel. For example: Selling over the internet while maintaining a physical distribution network.

Types of Channel Conflict



1) ***Vertical Channel Conflict***: This type of conflict arises between the different levels in the same channel.

   E.g. Conflict between the manufacturer and the wholesaler regarding price, quantity, marketing activities, etc.

2) ***Horizontal Channel Conflict: This type of conflict arises between the same levels in the same channel.***

   E.g. The conflict between two retailers of the same manufacturer faces disparity in terms of sales target, area coverage, promotional schemes, etc.

3) ***Multichannel Conflict: This type of conflict arises between the different market channels participating in the common sale for the same brand.***

   E.g. If a manufacturer uses two market channels, first is the official website through which the products and services are sold. The second channel is the traditional channel i.e. through wholesaler and retailer. If the product is available at a much lower price on a website than is available with the retailer, the multichannel conflict arises.

Causes of Channel Conflict

Some of the causes that give birth to the channel conflict are:

- ***Goal incompatibility***: Different partners in the channel of distribution have different goals that may or may not coincide with each other and thus result in conflict.

  E.g. The manufacturer wants to achieve the larger market share by adopting the market penetration strategy i.e. offering a product at low price and making the profits in the long run, whereas the dealer wants to sell the product at a high cost i.e. market skimming strategy and earn huge profits in the short run.

- ***Ambiguous Roles****:* The channel partners may not have a clear picture of their role i.e. what they are supposed to do, which market to cater, what pricing strategy is to be adopted, etc.

  E.g. The manufacturer may sell its products through its direct sales force in the same area where the authorized dealer is supposed to sell; this may result in the conflict.

- ***Different Perceptions*****:** The channel partners may have different perceptions about the market conditions that hamper the business as a whole thereby leading to the conflict.

  E.g. The manufacturer is optimistic about the change in the price of the product whereas the dealer feels the negative impact of price change on the customers.

- ***Manufacturer dominating the Intermediaries*****:** The intermediaries such as the wholesaler, distributor, retailer, etc. carry the process of distribution of goods and services for the manufacturer. If the manufacturer makes any change in the price, product, marketing activity the same has to be implemented with an immediate effect thereby reflecting the huge dependence of intermediaries on the manufacturer.

E.g. If the manufacturer changes the promotional scheme of a product with the intention to cut the cost, the retailer may find it difficult to sell the product without any promotional scheme and hence the conflict arises.

- ***Lack of Communication*:** This is one of the major reasons that lead to the conflict among the channel partners. If any partner is not communicated about any changes on time will hamper the distribution process and will result in disparity.

  E.g. If retailer urgently requires the stock and the wholesaler didn"t inform him about the availability of time may lead to the conflict between the two.

MANAGING THE CHANNEL CONFLICT

In order to overcome the destructive channel conflict some solutions are listed below:

- ***Subordinate Goals:*** The channel partners must decide a single goal in terms of increased market share, survival, profit maximization, high quality, customer satisfaction, etc. with the intention to avoid conflicts.
- ***Exchanging employees*:** one of the best ways to escape channel conflict is to swap employees between different levels i.e. two or more persons can shift to a dealer level from the manufacturer level and from wholesale level to the retailer level on a temporary basis. By doing so, everyone understands the role and operations of each other thereby reducing the role ambiguities.
- ***Trade associations*:** Another way to overcome the channel conflict is to form the association between the channel partners. This can be done through joint membership among the intermediaries. Every channel partner works as one entity and works unanimously.
- ***Co-optation*:** Under this, any leader or an expert in another organization is included in the advisory committee, board of directors, or grievance redressal committees to reduce the conflicts through their expert opinions.
- ***Diplomacy, Mediation and Arbitration*:** when the conflict becomes critical then partners have to resort to one of these methods.
  - In Diplomacy, the partners in the conflict send one person from each side to resolve the conflict.
  - In Mediation, the third person is involved who tries to resolve the conflict through his skills of conciliation.
  - In Arbitration, when both the parties agree to present their arguments to the arbitrator and agree to his decision.
- ***Legal resource*:** When the conflict becomes crucial and cannot be resolved through any above mentioned ways, the channel partners may decide to file a lawsuit.

Thus, it is a fundamental responsibility of every organization to maintain harmonious relations with its channel partners as the conflict between these may result in huge losses for each involved in the channel including the manufacturing company.

WHOLEASALER - Meaning and Definition:

The word „Wholesaler" has been derived from the word „Wholesale" which means to sell goods in relatively large quantities or in bulk. A wholesaler, in the words of S.E. Thomas „is a trader who purchases goods in large quantities from manufacturers and sells to retailers in small quantities.

The term „wholesaler" applies only to a merchant middleman engaged in selling the goods in bulk quantities. Wholesaling includes all marketing transactions in which purchases are intended for resale or are used in marketing other products. Wholesaler is a person who buys goods from the producer in bulk quantities and forwards them in small quantities to retailers. S.E. Thomas observes, "is himself neither a manufacturer nor a retailer, but acts as a link between the two". He is a vital link in the channel of distribution.

Characteristics of a Wholesaler:

- He buys in bulk quantities from producers and resells them to retailers in small quantities.
- He usually deals in a few types of products.
- He is a vital link between the producer and the retailer.
- He operates in a specific area determined by producers.
- He does not display his goods but keeps them in godowns. Only samples are shown to intending buyers.
- A wholesaler may be an individual or otherwise a firm.
- A wholesaler generally sets up distribution centre in parts of the country to make available goods to the retailers.
- He sets up own warehouses to store goods for ready supply.

Types of Wholesalers:

The wholesalers may be classified under the following headings:

(A) On the basis of area covered:

a) Local wholesalers, who distribute the goods from the producer to the consumer of a particular locality or area.

b) State wholesalers, who function in a particular state or province.

c) Country-wide wholesales who are located at the main business centres of the country and who distribute goods throughout the length and breadth of the country.

(B) On the basis of the goods they deal in:

It is the most used grouping of wholesale concerns. According to T.N. Backman, „it is not easy to define their limits of operations on any particular basis or criterion, but usually three bases are selected:

(a) Methods of distributing goods: (b) sources of supply; and (c) the use of the goods by the consumers.‟

(C) On the basis of methods of operation:

a) **Full-function wholesales** - who perform the entire range of wholesale functions, viz., assembling,storage, transportation, packing, financing and risk-bearing.

b) **Limited function wholesalers** - who perform only limited or specific functions out of the full range of wholesale functions. They include:

   (i) **Rack Jobbers** - wholesalers who sell special products viz., household wares and cosmetic/toiletries to retailers.

   (ii) **Truck wholesalers** - who combine selling, delivery, and collection in one operation. They carry only specific type of products, usually perishable and semi-perishable goods.

   (iii) **Cash-and-carry wholesalers** - who sell their stocks to retailers on „cash and carry‟ basis. The retailers come to the wholesalers‟ godown, select their requirements and pay cash on the spot and take away the goods.

   (iv) **Drop shipment wholesalers** - who do not actually handle the goods in which they deal in but leave the storage and transportation functions for the producers whom they represent to perform. The producer directly dispatches the goods to the retailers, but the bill is forwarded through the wholesaler, who in turn claims it from the retailers. Such wholesalers deal in goods which bear high cost of transportation.

c) **Merchant wholesalers.**

   They are of the following types:

   (i) Wholesalers proper:

   They are those merchants who deal only in the buying and selling activities and do not engage in manufacturing activities. They buy goods in bulk from the manufacturers and sell them in bulk to retailers. They also maintain their own warehouses for storing the goods.

   (ii) Manufacturer wholesalers:

   They combine the twin functions of manufacturing and selling and operate as both manufacturers and wholesalers. They usually purchase goods in their crude form, and after processing in their plant, sell them in a refined form to retailers. Their production operations are relatively simple and their main activity is that of selling.

   (iii) Mill-supply wholesalers/Industrial Distributors:

   Wholesalers sell a wide range of goods to industrial units, who, in turn, use them for their manufacturing operations. These wholesalers buy goods in bulk quantities from producers/growers and sell them to industrial mills. For example, a wholesaler may purchase raw tobacco from growers and sell them to factories which manufacture cigarettes.

(D) *On the basis of their line of product:*

(a) General merchandise wholesalers:

Wholesalers deal with number of items of general merchandise, ranging from food products to household appliances.

(b) General line wholesalers:

General line wholesalers‟ offer complete stock in one major line, e.g., stationery goods or may be hardware appliances, etc.

(c) Specialized wholesalers:

Specialized wholesalers deal only in specialized goods such as food products c: electrical goods, etc. They help those retailers who wish to buy a wide range of goods of the same line.

FUNCTIONS OF A WHOLESALER:

A wholesaler performs the following functions:

(i) Assembling:

A wholesaler buys goods from producers who are scattered far and wide and assembles them in his warehouse for the purpose of the retailers.

(ii) Storage:

After arranging and assembling the products from producers, wholesaler stores them in his warehouse and releases them in proper and required quantities as and when they are required by retailers. There is always a time-lag between production and consumption, therefore, the manufactured goods are to be stored carefully till they are demanded by retailers. A wholesaler performs the storage function in order to save the goods from deterioration and also to make these goods available when they are demanded.

(iii) Transportation:

Wholesalers buy goods in bulk from the producers and transport them to their own godowns. They provide transportation facility to retailers‟ by transporting the goods from their warehouses to the retailers‟ shops. Some wholesalers purchase in bulk, they can avail the economies of freight on bulk purchases.

(iv) Financing:

A wholesaler provides credit facility to retailers who are in need of financial assistance.

(v) Risk-bearing:

A wholesaler bears all the trade risks arising out of the sudden fall in prices of goods or by way of damage/spoilage or destruction of goods in his warehouse. The risk of bad debt as a result of non-payment by retailers, who have purchased on credit, also falls on the wholesalers. Thus a wholesaler bears all the trade and financial risks of the business.

(vi) Grading and Packing:

A wholesaler sorts out the goods according to their quality and then packs them in appropriate containers. He performs the marketing function of grading and packing also.

(vii) Providing Marketing Information:

Wholesalers provide valuable market information to retailers and manufacturers. The retailers are informed about the quality and type of goods available in the market for sale, whereas the manufacturers are informed about the changes in tastes and fashions of consumers so that they may produce the goods of the desired level of taste and fashion.

(viii) Facilitating Disbursement and Sale:

Wholesalers sell their goods to retailers who are scattered far and wide. Retailers approach them when their stocks are exhausted from further replenishment. Wholesalers help in the dispersion process of marketing.

SERVICES OF WHOLESALER:

(A) Services to Manufacturers/Producers:

(i) Wholesaler furnishes information to the manufacturer about consumer behaviour, the changes in the tastes and fashions and also the latest demands of the customers.

(ii) Wholesaler enables a manufacturer to get benefit of economies of large-scale production by manufacturing on a large-scale basis.

(iii) Wholesalers relieve producers from keeping stock since they usually make forward dealings with producers.

(iv) Wholesalers render financial assistance to manufacturers and also provide long-term soft loans to them.

(v) Wholesaler helps manufacturers in maintaining an even place of production by placing advance orders for periods which are usually characterized by slack demand.

(vi) Wholesalers help in price stabilization since they stock goods in the slack season and sell them when the demand is high.

(vii) Wholesalers enable the manufacturers to save their capital by not tying it up in stocks. Capital can be utilized for production activities.

(viii) Wholesalers are an important link between the manufacturers and the retailers.

(ix) Wholesalers provide warehousing facilities for goods till they are required by the retailers.

(x) Wholesalers take over the marketing functions from the manufacturers, thereby enabling them to concentrate on production.

(B) Services to Retailers:

(i) Wholesalers relieve retailers from keeping huge stocks with themselves since a retailer can approach a wholesaler for the replenishment of his stocks whenever they are exhausted.

(ii) Wholesalers provide financial assistance to retailers by selling goods to them on credit.

(iii) Wholesalers provide necessary market information to retailers regarding the type, quality and price of goods.

(iv) Wholesalers enable retailers to obtain supplies more quickly than they could by placing orders directly to manufacturers,

(v) Wholesalers provide the benefits of specialization to retailers.

(vi) Wholesalers help retailers to take favourable advantage of price fluctuations.

(vii) Wholesalers enable retailers to share the economies of transport.

(viii) Wholesalers bring to retailers in bulk, but charging less prices.

(ix) Wholesalers bring to the notice of retailers new products through advertisements and travelling salesmen.

(x) Wholesalers give trade discounts on the bulk purchases to retailers.

(C) Services to Consumers:

(i) Wholesalers make available the goods according to consumer"s needs, tastes, fashion and demand.

(ii) Wholesalers maintain stability of price by adjusting demand and supply and factors in the economy.

(iii) Wholesalers make large-scale production of goods possible, thereby keeping the overall price level low.

(iv) Wholesalers have always ready stocks with them and the consumers do not have to wait for the replenishment of stocks.

(v) Wholesalers provide knowledge of new products to consumers.

RETAILER

A retailer is a person who has set up a commercial establishment to sell goods and services in smaller quantities to the end consumers for their personal use. Retailer sells these goods at a mark-up or profit margin considerably higher than that of the wholesaler.

Characteristics of Retailer

- The retailer is the last link in the supply chain connecting the manufacturer and wholesaler to the end consumer.
- The retailer is the first to identify shifts in trends and consumer preferences because of close connection with ultimate consumers.
- The retailer is rightly placed to gather critical consumer feedback and market intelligence about products and services on offer and pass this valuable information on up in the supply chain through the wholesaler to the manufacturer.
- Many retailers are present in more than one retail format such as online retail as well as a brick-and-mortar store. Presence in multiple channels enables them to reach larger customer base and tap their market potential more effectively.

Functions of Retailing / Retailer

Retail trade performs many valuable functions for the trade and commerce as a whole. Some of them are as follows:

(1) Delivery of the goods to the end consumer

This makes shopping for all requirements quite hassle-free for the consumers. This facilitates consumption and maximizes consumer satisfaction. The company cannot take responsibility of delivery to every single customer, it appoints retailers. One of the functions of retailing is immediate delivery.

(2) Essential part of the distribution chain

The retailer takes over the cumbersome task of distribution of goods manufactured to the target market, the manufacturer is relieved of this responsibility and can divert his resources to manufacturing activities.

(3) Finances the wholesaler

The retailer pays some percentage or the whole of the order price in advance, while booking the order of goods with the wholesaler, this helps the wholesaler to carry on with his operations seamlessly. In some industries, it is the retailer who pays cash to maintain stock and in others the wholesaler has to carry the stock as paid capital. Financing is one of the major functions of retailing. A retailer who does not contribute to financing will bring down the effectiveness of the supply chain.

(4) Stores the goods according to market requirement

The retailer invests his working capital in building a gamut of inventory reflecting market requirements. Retailer also sells the requisite quantity, however small or big, to the final consumers satisfying their needs. The retailers know the complete demand and supply potential due to their years of experience. It is one of the functions of retailing to balance the demand and supply as per external market conditions.

(5) Lends a hand in manufacturer's marketing initiative

Retailer plans and executes many advertising and promotion activities at the point of purchase i.e. right in his store. This leads to gain in popularity of and favourable market conditions for the product of the manufacturer.

(6) Assumes storage and credit risks

When the retailer orders and stores a large quantity of goods from the manufacturer, he makes sufficient provisions to store it safely for some days. This involves costs. There is also a risk of loss of these goods on account of destruction, theft, spoilage etc. The retailer assumes these risks while storing goods.

(7) Extends credit facilities to the consumers and assumes credit risk

The retailer does so to encourage shopping. This adds to the vigor of commercial activities in the economy. There is also a risk that the customers won‟t pay for the goods bought or may return damaged goods to the retailer. This inherent risk in trade is assumed by the retailer.

(8) Offers wide variety of customers and enticing price range in a product line

In order to attract more customers, a retailer offers a wide range of merchandise at attractive prices. This results in higher consumer satisfaction and higher standards of living in any economy.

(9) Provides convenience in shopping

Retailers try to set up their shops nearby housing areas or near parks, schools – the areas where the customer finds it very convenient to shop. This enhances the consumer welfare.

(10) Offers after sale services

Differentiated packaging, gives more information about the use of the product. All these activities add value to the retail transaction and cater to various requirements of the consumers suitably.

(11) Hears the voice of the market

The retailer measures the pulse of the market by listening to the consumer feedback, expectations, complaints, by observing a shift in the tastes and preferences of the consumers. This arms him with very critical market intelligence enabling the entire commercial fraternity to gear up for the changing economic scenario.

(12) Generating employment for masses

Retail trade, especially the brick-and-mortar models are human resource-centric establishments. They require many employees for numerous functions such as stock taking, over the counter selling, packaging, after sales services, floor management etc. Retail sector thrives with lots of lucrative employment opportunities for all the talented job aspirants.

A retailer is a company that buys products from a manufacturer or wholesaler and sells them to end users or customers. A retailer is an intermediary or middleman that customers use to get products from the manufacturers.

Types of Retailers

There are 7 main types of retailers which can be defined by the size of their business and the way they in which they sell their products.

Department Store – This type of retailer is often the most complex offering a wide range of products and can appear as a collection of smaller retail stores managed by one company. The department store retailers offer products at various pricing levels. This type of retailer adds high levels of customer service by adding convenience enabling a large variety of products to be purchased from one retailer.

Supermarkets – Concentrates in supplying a range of food and beverage products. However many have now diversified and supply products from the home, fashion and electrical products markets too. Supermarkets have significant buying power and therefore often retail goods at low prices.

Warehouse retailers – This type of retailer is usually situated in retail or Business Park and where premises rent are lower. It enables retailer to stock, display and retail a large variety of good at very competitive prices.

Speciality Retailers – Specialising in specific industries or products, this type of retailer is able to offer the customer expert knowledge and a high level of service. They add value by offering accessories and additional related products at the same outlet.

E-tailer – Enables customers to shop on-line via the internet and buy products which are then delivered. This type of retailer is highly convenient and is able to supply a wider geographic customer base. E-tailers often have lower rent and overheads so offer very competitive pricing.

Convenience Retailer – Usually located in residential areas this type of retailer offers a limited range of products at premium prices due to the added value of convenience.

Discount Retailer – This type of retailer offers a variety of discounted products. They offer low prices on less fashionable branded products from a range of suppliers by reselling end of line and returned goods at discounted prices.

Retailing refers to all the transactions which involve sale of goods or services to the ultimate consumers. A retailer is middlemen procure goods from the wholesalers and sell it to the final consumers. They form a vital link in the channel of distribution of products. They have a much stronger personal relationship with the consumers and deal directly with the people of varied tastes and temperaments. They form the last link in the chain of distribution and give the final selling price to the product. The retailers provide important services and solve the problems of the manufacturers and wholesalers on one hand and the consumers on the other hand.

Services provided by the retailers to the wholesalers and manufacturers:-

- They provide selling outlets to wholesalers and manufacturers.
- They save the manufacturers from the inconvenience and expenses of selling the goods in small lots to a large number of consumers.
- They communicate the needs and desires of consumers to the manufacturers.
- They may also arrange for transportation of goods from the wholesalers' godowns to the ultimate consumers.
- They may also perform storage function by keeping stocks of goods.

Services provided by the retailers to the consumers:-

- They anticipate the needs of consumers and accordingly assemble goods of different varieties. Thus they satisfy their demands and provide them a wide choice of goods.
- They sort out goods supplied by the wholesalers and keep them in convenient packages for the benefit of the consumers.
- They even act as an advisor and guide to the consumers by bringing new products to their notice and educating them about its diverse uses.
- They keep the consumers informed about the changing trends in the market about the different varieties of products.
- They also provide other services to the consumers such as free home delivery, aftersale services, credit facility, etc.

Retailers are of different types depending upon their scale of operation and location. They are broadly classified into two categories:-

I) Small-scale retailers:

Small-scale retailers are those retailers whose scale of operation is restricted to a small segment of the market and to a narrow range of products. They generally hold small stocks of the products of regular use. Such retailers are very large in number but account for a small portion of the total retail business. Small-scale retailing is a very common, simple and flexible way of distributing the products to the final consumers. It incurs low operating costs and is usually owned and operated by a proprietor. The most important feature is that the small-scale retailers have a direct and personal contact with their customers. This form of retailing faces the problems of small capital, lack of professionalism and low purchasing power.

The two prevalent forms of small scale retailing in India:-

a) **Itinerants or Mobile traders:-** are those retailers who carry on their business by moving from place to place for selling the products and have no fixed business premises. They change their place of business according to their convenience and sales prospects. They serve either at the consumer's doorsteps or on busy places frequently visited by the customers. They do not have any particular line of business and carry very little stock of those goods. They save time and efforts of customers in buying articles of ordinary use. The hawkers and pedlars, cheap jacks; market traders and street sellers fall under this category.

b) **Fixed Shop Retailers: -** are those retailers which have fixed business premises and operate through unit stores or small shops located in residential areas or markets. They mainly include: - **(i) street stalls: -** are the small shops on the roadside, street-crossing, bus stops, etc. They sell a limited variety of products of regular use like stationery, grocery, etc; **(ii) dealers of second hand goods: -** are engaged in purchase and sale of used goods like books, clothes, etc; **(iii) general stores or variety stores: -** are the shops which deal in all types of general consumer goods of regular use like bread, butter, paper and pencils etc. They are set up in residential areas or busy markets. They provide services like goods on credit and home delivery to their customers; **(iv) speciality shops: -** are the shops which deal in only one or two special types of goods. They are generally located in shopping centres. For example, chemist shops, grocery shops, readymade garments shop, sweets shop, etc.

II) Large-scale Retailers:

a) **Large-scale Retailers** are those retailers whose scale of operation extends to a large segment of the market and to a wide range of products. They have a fixed line of business in which they have invested huge capital. Such retailers are not very large in number. This form of retailing involves high operating costs and lacks personal contact with the customers. It involves more of professionalism in selling the products through the use of various promotional techniques like advertising, publicity, sales promotion, etc. The various forms of large scale retailers are:-

b) **Departmental stores: -** are large scale retail establishments comprising of a number of departments in the same building. All its departments are centrally controlled but each forms a complete sales unit in itself and specialises in a particular line of product. They offer a wide choice of products to the customers under one roof. They provide many amenities for customer's convenience such as restaurants, car parking, recreation rooms, and post and telegraph offices and so on. Such stores are generally located in central places of big cities so that they can be easily accessible to the customers.

c) **Supermarkets: -** are large scale retail shops operating at lower costs. They sell a wide variety of consumer goods of regular use such as food items, groceries, etc at one place. They sell goods at lower prices than the departmental stores. Customers select the goods themselves without salesman's assistance. It is also called self-service stores. But, they do not provide additional facilities to their customers.

d) **Multiple Shops or chain stores: -** are a group of retail stores of the same type under one common ownership and centralised management but are located at various locations. All of them deal in similar range of products and sell the same standardised products at the same terms and conditions. The goods dealt are generally meant for everyday use and are readily acceptable to all kinds of customers. They offer goods at lower prices as they enjoy economies of bulk buying.

e) **Mail order houses:-** are those retail trading establishments which receive their orders by mail and deliver the goods by parcel or post express. The post office is their main channel of distribution. Orders from customers may be secured by advertising in newspapers or journals or through telephone contacts. This type of retailing is non-personal and without any face-to-face contact between buyers and sellers. It helps the consumers to get their requirements at their own place and thus saves their time and expenses.

f) **Consumer cooperative stores: -** are the cooperative stores which are owned and operated by the consumers themselves. They are incorporated as an association under the Cooperative societies Act. The membership of such stores is voluntary and capital is subscribed by the members themselves by purchasing shares of a small denomination. They purchase their requirements of goods in bulk from manufacturers and wholesalers and sell them to its members at lower prices. The aim of such cooperative stores is to render service to its members and not to maximise profits.

g) **Hire purchase traders: -** is a form of retail trade in which credit is granted to the customers on the security of a lien on the goods. They supply consumer durable goods to the customers who agree to pay the price by instalment (also called hire charges) at regular intervals. In this form of retailing, consumers get the advantage of deferred payment as they can purchase goods on credit and make easy payments in instalments while using the products at the same time. The buyer acquires the ownership of goods only after the total price has been paid. If there is default in paying instalments, the seller has right to recover the goods or sue buyer.

h) **Super Bazars: -** are large retail stores organised by cooperative societies. They sell a variety of products under a single roof. They procure goods at wholesale rates from the manufacturers and wholesalers and sell them to the consumers at reasonable prices. These may operate either as self-service stores or as separate counters served by a salesman.

i) **Automatic vending machines: -** is a new and complementary form of retailing operated by inserting coins or tokens into the machine by the buyers. In return, buyers receive a specified quantity of the product from the machine. These are used to sell prepacked and low cost products of mass consumptions like beverages, tickets, etc. This form of retailing can sell goods at places and at times where other types of retailing are not convenient or economical. For example, mother dairy sells milk through such vending machines.

Advantages of a Small Retailer

Chain stores usually offer better prices than small retailers. This is an advantage they can provide as a result of their size. Customers do not make purchasing decisions based on price alone. The entire shopping experience is important for consumers, including the steps leading up to product selection. Small shops fill this niche and retain customers accordingly.

Customer Service

Small retailers usually cater to a niche market and carry a limited range of products. Consequently, they hire employees who know about products, can make recommendations and discuss the relative advantage of one product brand over another. Small shops know their customers and tend to develop a rapport with them over time. It's not unusual for the boss to be on site and for regular customers to get to know the person in charge. This feeling of a connection to the store leads to repeat business.

Convenience

A small store requires a smaller amount of square footage. This means a small shop can be located in many more areas than big box stores. A small shop can be close to a residential area, offering customers convenience and accessibility for quick shopping trips. Since an independent retailer makes its own policies, it can adjust its opening hours to benefit its clientele. It can remain open longer during local special events and participate as a sponsor for community activities.

Knowledge Of Customer Wants

The local shop owner hears directly from customers about what they want and gets it in stock. Fulfilling customers' needs through taking special orders and bringing in unique products is one way to make the small shop a go-to place for customers looking for something specific. The personal service also contributes to customer loyalty and increases word-of-mouth promotion of the business.

Personal Marketing

Small shops can pursue unique marketing events to enhance personal connections between the store and select customers. A one-time only, private sale for customers on a preferred client list is one possibility, and it can be tailored to fit the local community. A small store can effectively execute a private sale because of its knowledgeable staff and responsiveness to customer product preferences.

Large-Scale Retail Business

The business of a retailer is to buy items in large quantities to take advantage of lower costs and then sell the items in smaller quantities with a profit mark-up. Retailers act as middlemen between the manufacturer or the wholesaler, and the customer who buys the good. There are advantages to being a large-scale retailer such as supermarket, superstore or hypermarket.

Advantages of Operating a Large-Scale Retail Business

Economies of scale

Economies of scale occur when the output of the business increases at a faster pace than costs. Businesses enjoy benefits due to their size. As costs can be divided into fixed and variable costs, where fixed costs are incurred regardless of the level of production, and variable costs are incurred in direct proportion to levels of output, the fixed element of costs can be spread over a larger output in larger firms. For example, a retailer incurs costs relating to carriage inwards of products to his store, over and above the variable costs to buy the products. As the large retailer orders more items, the cost of carriage inwards can be divided by a larger amount of products. Large retailers enjoy the benefits of bulk buying and lower relative cost of labour.

Specialization

The larger retailer can afford to employ specialized persons to deal with sales, purchasing, financing and marketing, amongst others. With persons dedicated full time to their specialized role, efficiency would be affected positively, leading to higher profits and bigger expansion.

Offering home deliveries to customers

Dedicated deliverymen can be employed to deliver large orders to clients, and such cost would be covered by the higher profit generated on the large order and the lower relative cost of delivery when the number of clients living close to each other are grouped to minimise travel distance. This facility will attract more customers, open up the business to new concepts such as telesales or internet selling, and enhance the reputation of the business.

Special offers and other promotions

Retailers engage in special offers and price cuts in order to attract higher demand and more sales. Large retailers are more likely to afford engaging in such activity than the smaller retailers.

Investment in new technology

Technology facilitates business, but at a relatively large initial investment. Large retailers have more capital to be able to afford such investment which would be studied and recouped over the years of business through cost savings and higher efficiency. The amount of transactions conducted by the large retailer every day and possibly having more than one outlet in different parts of the country make the investment in technology a must-have to remain competitive and provide accurate and timely information for the effective management of the business.

Disadvantages of operating a large-scale retail business

Less ability to offer personal service

A small retailer knows all his clients personally due to constant interaction with them. He would know the tastes and preferences of his clients to be able to offer them a better personalized service, catering for their unique needs. A large retailer would not be able to do this as its aim is to sell, sell and sell. Time is money is such a large business and the more rapidly it sells, the higher the profit. Special small orders from customers are rarely accepted, especially if these do not generate enough cash to generate the required rate of return for the business. The customer may be considered nothing more than a number in a large superstore, but he would be a treasured regular customer for the small retail store.

Labour problems

Most of the work is repetitive and they can hardly engage in conversations with the client or with colleagues. The fact that it is constrained by time, pressure is transferred to the large retail store‟s staff, which is expected to do more in less time. This leads to lower morale on the place of work and more costs of recruitment and retraining if workers regularly resign from their work.

Less control over pilfering

Large retailers are faced with the problem of people stealing small amounts from the shelves while no one is looking. The temptation to steal is higher in a large shop than it is in a smaller shop where it is easier to be spotted by someone. Thieves think that it is less likely for larger retailers to notice occasional pilfered items due to the large quantities of material. Shoplifters are regularly convicted by large retailers than they are by the smaller ones. The business is faced with a loss-loss situation where it either invests in security or else it suffers the loss of pilferage.

TYPES OF RETAIL INSTITUTIONS OR RETAILERS

The business institutions or persons who sell goods to final consumers are called retailers. Retailers can be divided in different classes, such as on the basis of ownership, on the basis of product line, on the basis of sales volume and on the basis of operation method.

I) On the Basis of Ownership

On the basis of ownership**,** retailers are divided into four classes as follows:

(i) Independent stores

The retailing shops operated under the ownership of a single person is called independent stores. Retailing institutions are operated under the management, ownership, direction and control of a person, they are called independent stores.

(ii) Chain stores

Chain stores are those retailing institutions, which are operated by a company under its ownership and management. Stores are opened at different places and they are operated under the management and control of company's central office.

(iii) Contract chain

Contract chain means a business institution, which is operated by private entrepreneurs under their own management. They perform some business related functions such as purchase of goods of same nature, branding , advertising etc. jointly with the retailers. The retailers selling same nature goods enter into contract for buying goods. Buying huge amount of goods in this method reduces price of goods and the cost also is borne jointly due to which profit can be increased.

(iv) Consumer stores

The retailing shops operated under the ownership of consumers are called consumer stores. The consumers in association establish such retailing shops to get rid of the exploitation of middlemen. Generally, consumer stores purchase goods directly from producers and sell them to its members at cheap rate.

II) On the Basis of Product Line

Retailers can be divided in three classes on the basis of product line as follows:

(i) General stores

General stores are such retailing shops where all kinds of goods are found or bought and sold. In such stores all the necessary goods for the local consumers are made available. Foodstuffs, clothes, sports materials, household goods, medicines etc are found in such stores.

(ii) Single line stores

Some retailers deal in only the goods of certain product line. Such retailers achieve specialization in selling some kinds of goods. Single line retailers involve in dealing in goods belonging to one product line like goods of household uses, medicines, electronic goods, motor cars, clothes etc.

(iii) Specialty stores

The retailers who deal in only one kind of products of a certain product line are called specialty stores or retailers.

III) On the Basis of Volume of Sales

Retailers can be divided in two classes on the basis of volume of sales as follows:

(i) Small-scale retailers

The retailers who buy and sell small quantity of goods are called small-scale retailers. Mostly, the small-scale retailers who operate business under sole ownership or partnership firms keep small stock of goods. They purchase necessary goods from wholesalers and sell to local consumers.

(ii) Large-scale retailers

The retailers who buy large amount of goods, keep in store and sell them are called large-scale retailers. Such businessmen give emphasis to division of labor and specialization to bring effectiveness in their business. The financial position of such retailers remains relatively strong and has risk bearing capacity.

IV) On The Basis of Method of Operation

On the basis of method of operation, retailers can be classified as follows:

(i) In-store retailing

The retailers who sell different goods opening their shops are called shopkeepers or in-store retailers. Customers buy necessary goods going to retailers' shops. The retailers from small-scale retailing shops to large-scale retailing shops like departmental stores, supermarkets, multiple shops etc from which goods are sold to final consumers, include in in-store retailing class.

(ii) Non-store retailing

In recent days retailers are found selling different goods to consumers without establishing any shop. The practice of selling goods visiting door to door of customers is not a new. Other main methods of selling goods without opening any shop are retailing through mail and use of vending machine.

UNIT - 5

CHANNEL OF DISTRIBUTION – II
SALES PROMOTION,
ADVERTISING AND PERSONAL SELLING

SALES PROMOTION

Meaning

Sales promotion refers to ‗those marketing activities that stimulate consumer shows and expositions. Stimulation of sales achieved through contests, demonstrations, discounts, exhibitions or trade shows, games, giveaways, point-of-sale displays and merchandising, special offers, and similar activities.

Definition

According to ***A.H.R. Delens*** **—**Sales promotion means any steps that are taken for the purpose of obtaining an increasing sale. Often this term refers specially to selling efforts that are designed to supplement personal selling and advertising and by co-ordination helps them to become more effective.‖

Roger A. Strong defines sales promotion as –It includes all forms of sponsored communication apart from activities associated with personal selling. It, thus includes trade shows and exhibits, combining, sampling, premiums, trade, allowances, sales and dealer incentives, set of packs, consumer education and demonstration activities, rebates, bonus, packs, point of purchase material and direct mail.‖

Objectives of Sales Promotion:

Sales promotion is a vital bridge or a connecting link between personal selling and advertising. Sales promotion activities are undertaken to achieve the following objectives:

- To increase sales by publicity through the media which are complementary to press and poster advertising.
- To disseminate information through salesmen, dealers etc., so as to ensure the product getting into satisfactory use by the ultimate consumers.
- To stimulate customers to make purchases at the point of purchase.

- To prompt existing customers to buy more.
- To introduce new products.
- To attract new customers.
- To meet competition from others effectively.
- To check seasonal decline in the volume of sales.

Importance of Sales Promotion:

The importance of sales promotion has increased tremendously in the modern times. Lakhs of rupees are being spent on sales promotional activities to attract the consumers in the country and also in other countries of the world.

Some large companies have begun to appoint sales promotion managers to handle miscellaneous promotional tools. All these facts show that the importance of sales promotion activities is increasing at a faster rate.

Basic Process of Marketing Communication in International Promotion

Marketing communication aims at conveying a firm‘s message as effectively and accurately as possible. The basic process of marketing communication, involves the following constituents:

1) Sender: It refers to the marketing firm which is conveying the message.

2) Encoding: Before a message can be sent, it has to be encoded. Putting thoughts, ideas, or information into a symbolic form is termed as encoding. Encoding ensures the correct interpretation of message by the receiver, who is often the ultimate customer.

3) Message: A message may be verbal or non-verbal, oral, written, or symbolic. A message contains all the information or meaning that the sender aims to convey. A message is put into a transmittable form depending upon the channels of communication.

4) Medium: The channel used to convey the encoded message to the intended receiver is termed as medium.

The medium can be categorized in the following manner:

i) Personal: It involves direct interpersonal (face-to-face) contact with the target group.

ii) Non-Personal: These are channels which convey message without any interpersonal contact between the sender and the receiver.

The non-personal channels of communication may further be broadly classified as follows:

a) Print Media: Newspapers, magazines, direct mails, etc.

b) Electronic Media: Radio and Television.

5) Decoding: It is the process of transforming the sender‘s message back into thought. Decoding is highly influenced by the self-reference criteria (SRC), which is unintended reference to one‘s own culture.

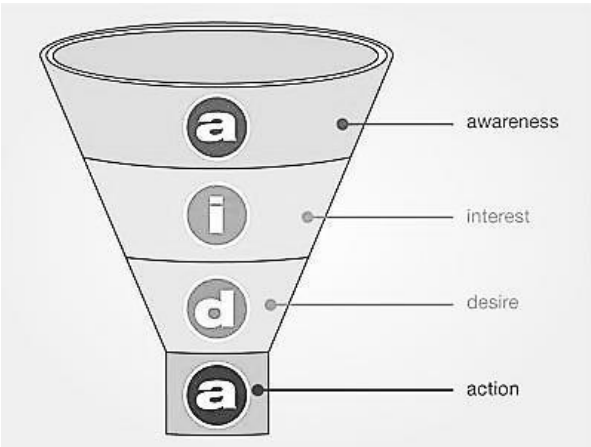
6) **Receiver:** It is the target audience or customers who receive the message by way of reading, hearing, or seeing. A number of factors influence how the message is received. These include the clarity of message, the interest generated, the translation, the sound of words, and the visuals used in the message.

7) **Noise:** The unplanned distortions or interference of die message is termed as _noise.‘ A message is subjected to a variety of external factors that distort or interfere, its reception.

8) **Feedback:** In order to assess the effectiveness of the marketing communication process, feedback from the customers is crucial. The time needed to assess the communication impact depends upon the type of promotion used. For example, an immediate feedback can be obtained by personal selling, whereas it takes much longer time to assess the communication effectiveness in case of advertisements.

The Purpose of Promotion

Promotion may have a number of purposes depending on the needs of an organisation. For example, it can raise awareness of a brand or business, highlight the benefits or value of its products to attract sales or help to change the image of a firm. Promotion covers a variety of techniques by which an organisation communicates with its customers and potential customers. These communications may have different forms and content to ensure that the target audience can understand and receive the messages properly.



The AIDA model demonstrates the stages of promotion:

- Initiating **awareness** (attention) amongst non-customers or increasing knowledge of new offers for existing customers
- Generating **interest**
- Creating **desire** to have the product
- Finally ensuring **action** to purchase.

The ultimate aim is to keep customers loyal so that over time they become _advocates‘ and promote the product to other consumers. Customer recommendation is a very strong form of promotion.

Marketing Promotional Methods

Promotion is the part of marketing that specifically involves communicating company or product information to targeted customers. This is a key component of the broader marketing system; it is what usually makes customers aware of product and attracted towards brand, interested in buying and ultimately loyal customers.

Advertising

Advertising takes up a significant portion of a company's budget allocated toward marketing and promotion. It includes the development and paid delivery of brand or product messages through media. Companies usually have internal advertising departments that design and develop ads, or they work with advertising firms who specialize in the advertising process. Company pay for advertisement placement in media such as television, radio, newspapers and magazines, they generally have more control over the message than they do through some other promotional methods.

Public Relations

Maintaining goodwill with the public is an important long-term strategy for both small and large companies. A variety of public relations tactics are used to reach out to customers through unpaid-for media messages. Press releases are one of the most common and routine PR tactics happens when a company sends an overview of a major change or event, product launch or other news to various media outlets. Press conferences, features news reports and newsletters are other common PR tools. A general objective of PR is to keep company‘s brand in front of people even beyond paid ads.

Selling

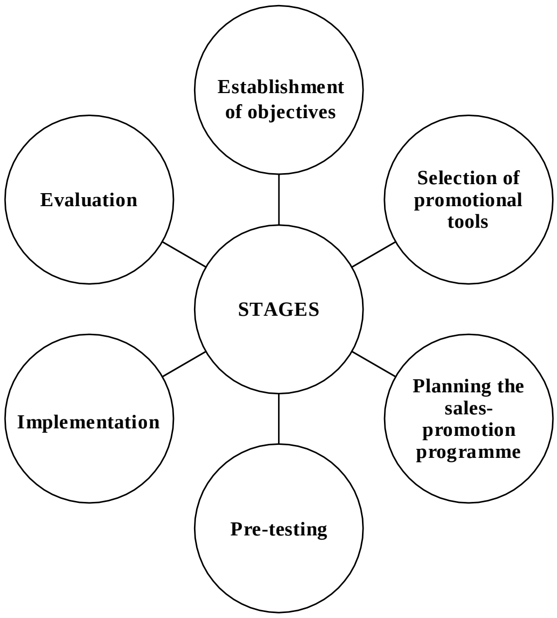
Business typically engages in some level of advertising and public relations, the use of personal selling tactics varies considerably. Some small businesses don't employ active sales associates based on the small-scale products or services they sell. Companies with big-ticket items, such as electronics or appliances, more often use sales associates to stress the benefits of products to customers and to overcome their concerns. Selling is one of the most interactive forms of promotion.

Digital/Interactive

The evolution of the Internet and related technologies has given rise to digital and interactive promotional methods. Email marketing, online advertising and mobile advertising have all become common components of promotional campaigns. These methods are often relatively affordable for small businesses and offer direct connections to tech-savvy consumers who spend significant time online. Social media portals such as Twitter, Facebook and YouTube also provide inexpensive ways to interact with customers in real time.

Stages Involved In Sales Promotion Planning

The main stages which are involved in sales promotion planning are:



(1) Establishment of objectives:

Sales-promotion objectives vary according to the target market. If the target is the customer, objectives could include the encouragement of increased usage or the building of trial among non-users or other brand users. For intermediaries, objectives could be to encourage off-season sales or offsetting competitive promotions. Sales-promotion activity could also be aimed at internal personnel, making up part of the reward system.

(2) Selection of promotional tools:

Promotional objectives form the basis for selecting the most appropriate sales-promotion tools. The cost and effectiveness of each tool must be assessed with regard to achieving these objectives in respect of each target market. The tools available to the service marketer are described in more detail in the next section.

(3) Planning the sales-promotion programme:

The major decisions that need to be made when designing the sales-promotion programme relate to the timing of the promotion and how long this tool is to be used. The size of incentive, rules for eligibility and overall budget for the promotion are important.

(4) Pre-testing:

This needs to be undertaken to ensure that potentially expensive problems are discovered before the full launch of a promotion. Testing in selected market segments can highlight problems of ambiguity, response rates and give an indication of cost effectiveness.

(5) Implementation:

The programme for implementation must include two important time factors first, it must indicate the _lead time'- the time necessary to bring the programme up to the point where the incentive is made available to the public. Second, the _sell in time' which is the period of time from the date of release to when approximately 90-95 per cent, of incentive material has been received by potential customers.

(6) Evaluation:

The performance of the promotion needs to be assessed against the objectives set. If objectives are specific and quantifiable, measurement would seem to be easy. However, extraneous factors could account for the apparent success of many sales-promotion activities.

For example, competitive actions or seasonal variations may have influenced customers' decision making. It can be extremely difficult to separate out the effects of sales-promotion activity from other promotional activity-or indeed from other marketing-mix changes.

Promotional Strategies

A company's product or service set strong promotional strategies that can help position the company in a favourable light, while opening the doors for future communication.

Contests

Contests are a frequently used promotional strategy. Many contests don't even require a purchase. The idea is to promote the brand and put the logo and name in front of the public rather than make money through a hard-sell campaign. People like to win prizes. Sponsoring contests can bring attention to the product without company overtness.

Social Media

Social media websites such as Facebook and Google+ offer companies a way to promote products and services in a more relaxed environment. This is direct marketing at its best. Social networks connect with a world of potential customers that can view the company from a different perspective. Rather than seeing company as "trying to sell" something, the social network can see a company that is in touch with people on a more personal level. This can help lessen the divide between the company and the buyer, which in turn presents a more appealing and familiar image of the company.

Mail Order Marketing

Customers who come into the business are not to be overlooked. These customers have already decided to purchase the product. Offer a free product or service in exchange for the information. These are customers who are already familiar with the company and represent the target audience the company want to market their new products.

Product Giveaways

Product giveaways and allowing potential customers to sample a product are methods used often by companies to introduce new food and household products. Many of these companies sponsor in-store promotions, giving away product samples to entice the buying public into trying new products.

Point-of-Sale Promotion and End-Cap Marketing

Point-of-sale and end-cap marketing are ways of selling product and promoting items in stores. The idea behind this promotional strategy is convenience and impulse. The end cap, which sits at the end of aisles in grocery stores, features products a store wants to promote or move quickly. This product is positioned so it is easily accessible to the customer. Point-of-sale is a way to promote new products or products a store needs to move. These items are placed near the checkout in the store and are often purchased by consumers on impulse as they wait to be checked out.

Customer Referral Incentive Program

The customer referral incentive program is a way to encourage current customers to refer new customers to a store. Free products, big discounts and cash rewards are some of the incentives. This is a promotional strategy that leverages the customer base as a sales force.

Causes and Charity

Promoting the products while supporting a cause can be an effective promotional strategy. Giving customers a sense of being a part of something larger simply by using products they might use anyway creates a win/win situation. Company get the customers and the socially conscious image; customers get a product they can use and the sense of helping a cause. One way to do this is to give a percentage of product profit to the cause of company has committed to helping.

Branded Promotional Gifts

Giving away functional branded gifts can be a more effective promotional move than handing out simple business cards. Put the business card on a magnet, ink pen or key chain. Company can give their customers that they may use, which keeps the business in plain sight rather than in the trash or in a drawer with other business cards the customer may not look at.

Customer Appreciation Events

An in-store customer appreciation event with free refreshments and door prizes will draw customers into the store. Emphasis on the appreciation part of the event, with no purchase of anything necessary, is an effective way to draw not only current customers but also potential customers through the door. Pizza, hot dogs and soda are inexpensive food items that can be used to make the event more attractive. Setting up convenient product displays before the launch of the event will ensure the products you want to promote are highly visible when the customers arrive.

After-Sale Customer Surveys

Contacting customers by telephone or through the mail after a sale is a promotional strategy that puts the importance of customer satisfaction first while leaving the door open for a promotional opportunity. Skilled salespeople make survey calls to customers to gather information that can later be used for marketing by asking questions relating to the way the customers feel about the products and services purchased. This serves the dual purpose of promoting the company as one that cares what the customer thinks and one that is always striving to provide the best service and product

Sales Promotion Techniques:

Sales promotion refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product. Sales promotion techniques are very useful because they bring:

(a) Short and immediate effect on sale.

(b) Stock clearance is possible with sales promotion.

(c) Sales promotion techniques induce customers as well as distribution channels.

(d) Sales promotion techniques help to win over the competitor.

Sales Promotion Techniques for Customers:

Some of the sales promotion activities commonly used by the marketer to increase the sale are:

(e) Rebate:

It refers to selling product at a special price which is less than the original price for a limited period of time. This offer is given to clear off the stock or excessive inventory. For example Coke announced 2 liter bottles at Rs 35 only.

(ii) Discounts:

Discount is reduction of certain percentage of price from list price for a limited period of time. The discounts induce the customers to buy and to buy more. Generally at the end of season big companies offer their products at discounted price to clear off the stock. For example Season‘s sale at Snow-White Jain Sons, Paul Garments, Bhuvan Garments, etc.

(iii) Refunds:

This refers to refund or part of price paid by customer on presenting the proof of purchase. For example: Rs.2 off on presentation of empty pack of Ruffle Lays.

(iv) Premiums or Gifts/or Product Combination:

These are most popular and commonly used promotion tool. It refers to giving a free gift on purchase of the product. Generally the free gift is related to product but it is not necessary. For example Mug free with Bourn vita, Shaker free with Coffee, Toothbrush free with Toothpaste, etc.

(v) Quantity Deals:

It refers to offer of extra quantity in a special package at fewer prices or on extra purchase some quantity free for example, buy three get one free. For example this scheme of buy three get one free scheme is available on soaps.

(vi) Samples:

It refers to distribution of free samples of product to the customers. These are distributed when the seller wants the customer must try the product, generally when a new product is launched. For example when Hindustan Level launched Surf Excel it distributed the samples as it wanted the customers to try it.

(vii) Contests:

It refers to participation of consumers in competitive events organised by the firm and winners are given some reward. For example Camlin Company organizes painting competition, Bourn vita quiz contest and some companies organise contest of writing slogans and best slogan is awarded prize.

(viii) Instant Draws and Assigned Gifts:

It includes the offers like _scratch a card‘ and win instantly a refrigerator, car, T-shirt, computer etc.

(ix) Lucky Draw:

In this draws are taken out by including the bill number or names of customers who have purchased the goods and lucky winner gets free car, computer, A.C, T.V, etc. Draw can be taken out daily, weekly, monthly, etc.

(x) Usable Benefits:

This includes offers like _Purchase goods worth Rs.5000 and get a holiday package‘ or get a discount voucher, etc.

(xi) Full Finance @ 0%:

Many marketers offer 0% interest on financing of consumer durable goods like washing machine, T.V. etc. In these types of scheme customers should be careful about the file charges etc.

(xii) Packaged Premium:

In this type of sales promotion the free gift is kept inside the pack. The gift is kept in limited products but the excitement of getting the gift induces the customer to buy the product for example, gold pendant in soap, gold coin in Tata tea etc.

(xiii) Container Premium:

This refers to use of special container or boxes to pack the products which could be reused by the customer for example, Pet Bottles for Cold Drinks. This bottles can be used for Steering Water, Plastic Jars for Bourn vita, Maltova, etc. which can be reused by the housewives in kitchen.

Merits of Sales Promotion:

1. **Attention Value:** The incentives offered in sales promotion attract attention of the people.
2. **Useful in New Product Launch:** The sales promotion techniques are very helpful in introducing the new product as it induces people to try new products as they are available at low price or sometimes as free sample.
3. **Synergy in Total Promotion Efforts:** Sales promotion activities supplement advertising and personal selling efforts of the company. Sales promotion adds to the effectiveness of advertisement efforts.
4. **Aid to other Promotion Tools:** Sales promotion technique makes other promotion techniques more effective. Salesmen find it easy to sell products on which incentives are available.

Other advantages are:

- When compared with advertising and personal selling, sales promotional activities are less expensive.
- It enables both the dealers and the consumers to enjoy certain tangible benefits, e.g., free samples, gifts, price reductions, etc.
- Certain sales promotional activities also enable the consumers to gain knowledge. For example, displays and demonstrations help them to understand the product mechanism. The customers can also raise their queries and get clarification immediately. Pamphlets distributed to the consumers also provide useful information.
- Advertising approaches the buyer indirectly and personal selling approaches the buyer directly. Whereas sales promotional activities involve both direct and indirect approaches.
- Sales promotion helps to supplement and support both advertising and personal selling. No business can totally rely on advertising and personal selling alone.
- Most of the sales promotional activities can be undertaken by the manufacturers themselves. Distribution of free samples and gifts, money refund and coupon offers, demonstrations, exchange of old for new and so on can be made by the manufacturers

themselves. They may, at the most, need the help of the dealers only. Personal selling requires efficient and committed salesmen.

- The salesmen of a business cannot perform their work effectively without the use of sales promotional tools like pamphlets, audio-visual aids, cell phones and pagers.
- When compared with advertising, sales promotional activities can create better and quicker impact. Free sample, gifts, demonstrations etc., can induce the consumers to act fast.
- The business can have better control over its sales promotional activities. The financial aspects, in particular, pertaining to sales promotion can be effectively managed. This may not be possible in the case of advertisement and personal selling.
- Measuring the effectiveness of sales promotion can be easy when compared to measuring the effectiveness of advertising and personal selling.

Demerits of Sales Promotion:

1. **Reflect Crisis:** If firm is offering sales promotion techniques again and again it indicates that there is no demand of product which can create crisis situation.
2. **Spoil Product Image:** Use of sales promotion tool may affect the image of product as buyer feel that product is of low quality that is why firm is offering incentives.

Other disadvantages are:

- The number of sales promotional activities to be performed are too many, distribution of free samples and gifts, making such offers as price off and money refund, holding contests, participating in trade fairs and exhibitions, display and demonstration of goods and so on.
- Sales promotion, by itself, cannot produce results. It can only supplement advertising and personal selling which are vital for a business.
- Sales promotion is non-recurrent in nature. It cannot, therefore, be used continuously. The marketer has to select the most appropriate tool of sales promotion and the same shall be introduced at the right time.
- It involves additional expenditure on the part of the business. Apart from the heavy expenditure to be incurred on advertisement and personal selling, the business may have to spend further on sales promotion. This leads to an overall increase in promotional costs.
- The marketer cannot use any sales promotional tool at any time. Certain tools are to be used only in the introduction stage of a product, while others will be used in the growth and maturity stages. Indiscriminate use will not produce the expected results.
- Another drawback of sales promotion is that there is a tendency on the part of all the competitors to use the same method of sales promotion at the same time. Such an approach may not benefit all. For example, if all the manufacturers of air-conditioners offer off season discount (during winter), the consumer may only decide based on brand popularity.

- Sales promotion is generally required to promote sales of those brands which are not so very popular. Popular brands move fast in the market without much effort. Brand popularity can be secured mainly by means of advertisement and personal selling.
- Sales promotion offers such as price cut, discount, free gift etc., may sometimes create an impression that these are being done to sell a poor quality product.
- As far as the various types of discounts (cash discount, off-season discount and festival discount etc.) are concerned, there is always a feeling that these are not real and the price would have already been hiked.
- As the sales promotional activities are short-lived, the results of such activities will also be short-lived. The moment the various inducements offered by the marketer are withdrawn, the demand is bound to fall.

Types of Sales Promotions

a) Consumer sales promotions

Any sales promotion activity that is keeping the end consumer in mind is known as consumer sales promotions. Example – if an E-commerce website gives 10% discount on its products, then it wants the consumers to make the best of this deal. This is a consumer focused promotional activity and hence can be called as consumer sales promotions.

The objective of Consumer sales promotions might be various.

- A consumer might be asked to test a sample of a completely new perfume in the market and rate it.
- An existing customer might be asked to use a Scratch card so that he receives a gift.
- At the end, the result should be an action from the consumer. The consumer should purchase the product right away or he should come to know about the product so that further awareness is created for the brand.

b) Trade Sales promotions

If the promotional activities are focused on Dealers, distributors or agents, it is known as trade promotions.

Need/ Importance of Sales Promotion

Sales promotion is an important component of a promotion campaigning programme. It can be specific tool of the marketing strategy of an enterprise. An increasing level of competition and costs of advertisement, producers largely use this technique as a promotional tool. Sale promotion techniques are not only useful to the producers and distributors, but also are useful to consumers.

The importance of sales promotion may be grouped as follows:

- Importance to Consumers.
- Importance to Manufactures/Producers.

- Importance to Dealers/Middleman.
- Importance to Society & the nation.

(A) Importance To Consumer

(1) Sufficient product knowledge

Various consumer promotion methods such as demonstrations, training to use the product, etc. give sufficient product‘s knowledge to consumer with regard to uses, operations, maintenance or upkeep of the product.

(2) Availability of product at reduced prices

Sales promotional tools like prices-off deals, premium offers, discounts, etc. reduce the price of the product when purchased on notified occasions.

(3) Increase in consumers buying confidence

Free samples offered under the sales promotion programme give the potential consumers an opportunity to use the goods and satisfy with the quality of product. This experience may give them confidence to take a better decision towards the purchases of products.

(4) Increases in the quality of goods purchased

Stimulated by the various promotional incentives like free goods, premium and coupons, etc. the buyer are attracted towards larger purchases than their usual needs to avail the opportunity.

(5) Higher slandered of living

The consumers get plenty of opportunities in using the new, cheaper & durable items, to their satisfaction, which may help them to maintain a higher standard of living.

(6) Minimize exploitation

The consumer promotion programme gives sufficient knowledge about product and substitutes available for a product, its quality and price. As a result, a seller cannot be able to create a monopoly in his product an exploit the consumers. This may be the reason that for product likes soaps. Detergent, toothpastes, etc. the exploitation is not at all possible.

(B) Importance To Producer / Manufacture

(1) Increases in sales:-

Sales promotion programme attracts the consumers & stimulates them for larger purchases leading to increased sales.

(2) Regular sales of seasonal product:-

The offer of off-season discounts, price cut etc. on seasonal products like fridge, coolers, fans, etc. are able to maintain regular are continuous sales of such items.

(3) Improve effectiveness of advertisement and personal selling:-

The sales promotion makes the advertisement more effective to push the sales. It is effective technique to minimize the dissatisfaction of customers that have been create by retail selling.

(4) Cooperation from middlemen:-

The various promotional incentives offered to the dealers help to achieve co-operations from them to sell the product on priority basis and to maintain maximum stock with them.

(5) Demand for product & services:-

The sales promotion techniques have proved successfully in introducing new product & services. By the supply of free samples, the new product makes its place in the market.

(6) Able to capture new market:-

The sales promotion programme facilitates the producer to capture new markets for his products easily. The markets of plantation products have been successfully in capturing the markets by the distribution of free samples.

(7) Increase in goodwill:-

The repeated uses of sales promotion tools facilitate the consumers to get a special identification of the product as well as of the producer. The satisfaction that has been arrived to the consumers by continuous uses of the products will gradually increase the goodwill of the firm.

(8) Direct control:-

The advertising media is controlled by advertising agencies; the advertising costs are on higher side. This has adverse effect on the sales and profits but in the sales promotion programme, the producer has full control over the promotional tools and it can achieve maximum results at minimum costs.

(9) Effective steps to face the competition:-

Larger sales, reduce production costs, increase in profits, special identity and goodwill of the producer, etc. achieved through sales promotion. Its measures can help to face the competition more effectively.

(10) Improvement & new uses of the production:-

The sales promotion programme invites suggestions from the consumers from time to time to know about their change in need & performance, necessary improvements or modifications are made in the product to satisfy the consumer need.

(C) Importance To Dealers/ Middle Men

(1) Facilitates larger sales:-

The dealers get advantages of sales promotional techniques for increasing their sales. Sales promotion is a coordinating activity between sales, advertising, research & public relations efforts & they reduce the resistance at the point of sales.

(2) ***More facilities & assistance:-***

The producer under the sales promotional programme provides various facilities & assistance to the middlemen such as assistance to marketing research providing with display materials and managerial assistance, etc. for maintaining regular stock for sales.

(3) ***Direct relation with customers:-***

A direct relationship between the dealers & the consumers are established through the sales promotion techniques which will continue for a long time.

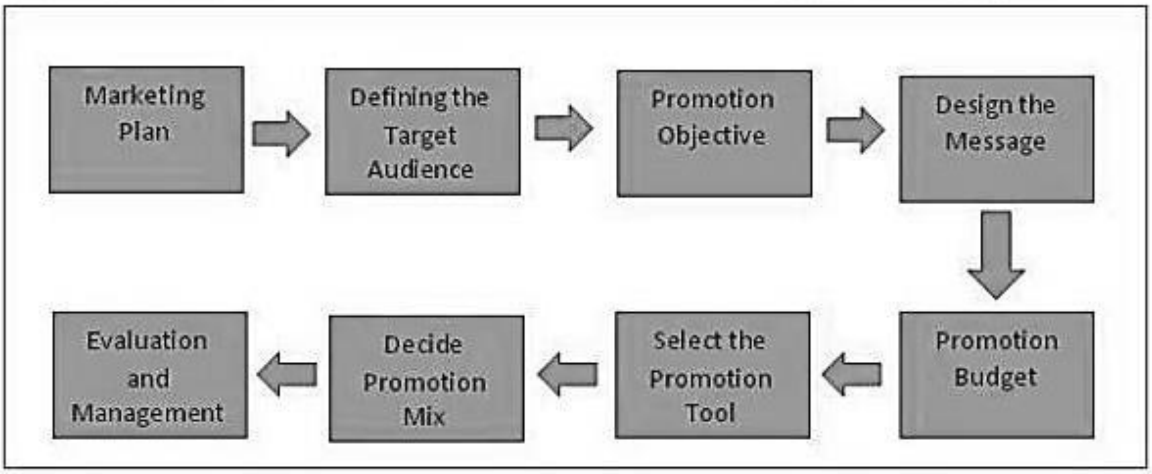
(D) Importance To The Society & The Nation

The importance of sales promotion programme for the society & the nation can be summarized as below:-

- Increase in standard of living the people.
- Increase in employment opportunities.
- Development and expansion of transport, communication, banning, insurance and warehousing facilities.
- Increase in Gross National Product and per capita income.
- Creation of healthy competition in national and international trade, etc.

Steps Involved in Promotion Decisions.

A marketer has five promotion tools at his/ her disposal for carrying out the promotion activities – Advertising, personal selling, publicity, sales promotions, and direct selling. To help utilise an effective promotion plan, most of the organisations follow the steps shown in the figure.



(1) Marketing Plan

The marketing plan of the organisation gives the direction for all the promotion decisions. Marketing planning involves analysing the organisations capabilities, economic conditions, competitors and customers to list out the strengths, weaknesses, threats and opportunities (SWOT analysis). This sets the framework and gives direction for promotion activities.

(2) Defining the Target audience

It becomes important for an organisation to clearly define its target audience. Unless the firm has clear target audience, the communication message as well as tools for dispersing this message will be like shooting an arrow in the dark. The target audience consists of potential buyers, current buyers, media, individual, groups, public at large, intermediaries, etc. that can influence the sale of the product. Basis the target audience, a marketer decides on the content of the message, its dispersing frequency, tools to communicate, and at which places to disperse it, etc.

(3) Promotion objective

Promotion objective is directed towards a favourable response from buyers to drive sales, increase market share, create a positive image of the brand, and retaining the customers by way of reminding the brand for future, etc. These can be long term as well as short term. The basis for this is the marketing program of the organisation. In order to drive immediate sales, organisations adopt direct mail and personal selling. For creating awareness about the product and creating demand, promotion tools like TV advertising, sales promotions are utilised. For creating and altering the image, organisations opt for Public Relation programs- organise events like blood donation, marathons, etc. for health awareness in the society. This helps an organisation create an image that it is committed to society. Similarly organisations invest in eco-friendly infrastructure that utilises solar power for operations, etc. which is often highlighted in media.

The marketers have to decide to what extent the audience‘s perceptions, attitudes, beliefs, and behaviour should change. Depending on this the marketer decides on the frequency of dispersing the message in the market relevant to the objective of how fast the change should occur.

The objective usually revolves around defining a desired response

- Creating awareness,
- Educating the buyers, (what could be the reason for not buying?, negative perception to be changed),
- Influence buying, differentiate,
- remind, persuade.

Its promotion objective was to capture market share via creating awareness about its product highlighting a better priced product with high end features.

(4) Designing the Message

The next step involves designing a message that will serve the promotion objective. There are lot of ways in which a message can be constructed. When designing a message the marketer has to consider these things – message content and message structure or format. The results of a well-designed message are substantial. The message content includes images and logos along with the text message. The message structure or format consists of graphics, colour, clarity, presentation content in case of personal selling, etc.

The local culture and beliefs need to be considered when designing a message. Certain colour selection or image selection might be fine in one region and may be considered offensive on other region. For example, semi-nude models doing the advertisements will have negative reaction in some Asian countries while they will be acceptable in European countries. When Gerber launched its baby products in Africa, they went ahead with the same packaging and image of a baby on the package. The company later learned that companies in Africa put picture of the product which is inside the package.

Marketers strive to understand the culture and belief system of the target market to ensure maximum impact of the message. For example, Amazon has been creating advertisements to target the family values of the Indian market. Almost all the advertisements have an elder in the family who is emotionally touched by the need of a family member, and comes across an option of a product available among 60 million products on Amazon India website.

(5) Promotion budget

Deciding on the promotion budget is one of the most difficult decision a marketer takes. If the right tool is not selected because of budget constraints, the entire process of promotion or even marketing goes waste. For most of the companies, the promotion budget forms the biggest chunk of the cost components. There are many ways of assigning budget for promotion activities.

The marketing plan sets the direction for promotion budget decisions. Below are the common methods for setting budget for promotion-

- **(i)** **Affordable method** an organisation sets aside a budget as it deems affordable without much concerns of the impact it will make on the sales and revenues. When a company is doing well in the market, the promotion budget will be high and if the product is not doing good and generating less revenue, the promotion budget is less. The budget is decided after taking all expenditures into consideration. This is the most ineffective way of deciding the promotion budget, as the end results of promotion are not taken into consideration.
- **(ii)** **In Percentage of sales method,** the budget is set aside basis the projection of sales for the year. Instead of a promotion plan taking priority, the sales determine the promotion budget. It doesn‘t consider the market opportunities. Though illogical, it has advantages like simple to calculate and less risky as it is linked to sales.
- **(iii)** **In Competitive Parity method,** the budget is assigned depending on that of the competitors. The marketers who follow this method believe that this avoids promotion wars and the wisdom of the industry as a whole is reliable for setting promotion budgets. Though this method considers competition, it is unreliable as the objectives, opportunities, resources, and brand image of the organisations are not always the same.
- **(iv)** **(iv)The Objective and Task method** relies on proper objective setting and the tasks that need to be performed to achieve these objectives. The costs for performing these tasks are calculated which determine the promotion budget. Though this method is logical, it is not easy to implement as it involves research as well as analysis before arriving at the final number.

(6) Select the promotion tool

Marketers have to select the most efficient promotion tool to ensure the message is dispersed as intended. It usually involves a three step process.

- First selecting the promotion tool. For example, advertising.
- In the second step, the marketer needs to choose from various advertising components like TV, radio, print, billboards, display signs, symbols and logos, etc.
- Thirdly, the marketer has to decide on the aspect within each component. In TV advertising, TV shows the target customer usually watches and at which time maximum coverage can be attained.

The promotion tool selection usually depends on the cost, coverage, and availability with regard to the target market. The communication strategy has to adapt to the market environment of each target market or region. A communication message as well as the tool should be acceptable in all target markets.

Promotional Mix

In marketing, the promotional mix describes a blend of promotional variables chosen by marketers to help a firm reach its goals. It has been identified as a subset of the marketing mix. It is believed that there is an optimal way of allocating budgets for the different elements within the promotional mix to achieve best marketing results and the challenge for marketers is to find the right mix of them. Activities identified as elements of the promotional mix vary, but typically include the following:

- Advertising is the paid presentation and promotion of ideas, goods, or services by an identified sponsor in a mass medium. Examples include print ads, radio, television, billboard, direct mail, brochures and catalogues, signs, in-store displays, posters, mobile apps, motion pictures, web pages, banner ads, emails.
- Personal selling is the process of helping and persuading one or more prospects to purchase a good or service or to act on any idea through the use of an oral presentation, often in a face-to-face manner or by telephone. Examples include sales presentations, sales meetings, sales training and incentive programs for intermediary salespeople, samples, and telemarketing.
- Sales Promotion is media and non-media marketing communication used for a pre-determined limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include coupons, sweepstakes, contests, product samples, rebates, tie-ins, self-liquidating premiums, trade shows, trade-ins, and exhibitions.
- Public relations or publicity is information about a firm's products and services carried by a third party in an indirect way. This includes free publicity as well as paid efforts to stimulate discussion and interest. It can be accomplished by planting a significant news story indirectly in the media or presenting it favourably through press releases or corporate anniversary parties. Examples include newspaper and magazine articles, TVs and radio presentations, charitable contributions, speeches, issue advertising, seminars.

- Direct Marketing is a channel-agnostic form of advertising that allows businesses and non-profits to communicate directly to the customer, with methods such as mobile message, email, interactive consumer websites, online display ads, fliers, catalogue distribution, promotional letters, and outdoor advertising.
- Corporate image campaigns have been considered as part of the promotional mix.
- Sponsorship of an event or contest or race is a way to generate further positive publicity.
- Guerrilla marketing tactics are unconventional ways to bring attention to an idea or product or service, such as by using graffiti, sticker bombing, posting flyers, using flash mobs, doing viral marketing campaigns or other methods using the Internet in unexpected ways.
- Product placement is paying a movie studio or television show to include a product or service prominently in the show.

ADVERTISING

Advertising can be defined as a non-personal presentation and promotion of ideas, goods or services paid by an identified sponsor. It is non-personal mass communication which has become a potent means of education and mass selling. It consists of all the achievements involved in presenting product information targeting audiences through media such as newspapers, magazines, catalogues, booklets, posters, radio, television, calendars, cards, transport, etc.

According to **W.J. Stanton**, ―Advertising consists of all the activities involved in presenting to an audience a non-personal, sponsor- identified, paid for a message about a product or organization.‖

According to **American Marketing Association**, ―Advertising is any paid form of non-personal presentation and promotion of ideas, goods, and services of an identified sponsor.‖

Features of Advertising

The nine main features of advertising are,

1) **Provides information:** Advertising's primary purpose is to provide information about products or services to prospective buyers. The details of products such as features, uses, prices, benefits, and manufacturer‘s name are in the advertisements. The key message and brand name are also there. The information supplied educates and guide consumers and facilitate them to make a correct choice while buying a product.
2) **Paid communication:** Advertising is a form of paid communication. The advertiser pays to the media for giving publicity to their AD message. They also decide the size, slogan, etc. given in the advertisement.
3) **Non-personal presentation:** Advertising is non-personal in character as against salesmanship, which is a personal or face to face communication. The message is given to all and not to one specific individual. This rule is applicable to all media including the press. Target consumers or target market can be selected for making an AD appeal.

4) **Publicity:** Advertising publicizes goods, services, ideas and events. It is primarily for giving information to consumers. This information is related to the features and benefits of goods and services of different types. It offers new ideas to customers as its contents are meaningful. The aim is to make the popularize ideas and thereby promote sales. For example, an advertisement for family planning, family welfare, and life insurance is useful for placing new ideas before the people.

5) **Primarily for Persuasion:** Advertising aims at the persuasion of potential customers. It attracts attention towards a particular product, creates a desire to have it and finally induces consumers to visit the market and purchase the same. It has a psychological impact on consumers. It influences their buying decisions.

6) **Target oriented:** Advertising becomes effective and result-oriented when it is target oriented. A targeted advertisement intensively focuses on a specific market or particular groups of customers (like teenagers, housewives, infants, children, etc.). The selection of a particular market is called a target market.

7) **Art, science and profession:** Advertising is art, science and a profession and this is now universally accepted. It is an art as it needs creativity for raising its effectiveness. It is a science as it has its principles or rules. It is also a profession as it has a code of conduct for its members and operates within standards set by its organized bodies.

8) **The element of a marketing mix:** Advertising is an important part of a marketing mix. It supports the sales promotion efforts of the manufacturer. It makes a positive contribution to sales promotion provided other elements in the marketing mix are reasonably favourable. It is alone inadequate for promoting sales. Many companies now spend huge funds on advertisements and public relations.

9) **Creativity:** Advertising is a method of presenting a product in an artistic, attractive and agreeable manner. It is possible through the element of creativity. The creative people (professionals) introduce creativity in advertisements. Creativity is called the _Essence of Advertising.'

Main Purposes of Advertising

The basic aim of advertising is to create awareness in the minds of people, about the availability of products and services and influence them to buy the same. The ultimate aim is to enhance the sales of the organization. Advertising complements and supplements the company's selling efforts. The main purposes of advertising are as follows:

(1) Communicates information:

One of the most important functions of advertising is to convey or communicate the information to others. In the modern day world, where science and technology contributes to new innovations and inventions, every now and then new goods and improvisation of the existing goods and services are entering into the market. If their use or knowledge is restricted to a limited number of people, social advancements cannot take place.

Consumers are provided the information about new products and services which enter the market through advertising. The demand for existing products and services has to be maintained as well as enhanced with the help of advertising. The ultimate purpose is to enhance sales either by creating or increasing demand for goods and services.

(2) Creates ground for personal selling:

The main purpose of advertising is to create and sustain demand for products or services and expand the market, the prospective buyers automatically become interested to buy such products and services. Advertising supports the efforts of the sales force of an organization and creates ground for the salesmen to approach the prospective buyers.

(3) Educates people:

Advertising serves another important purpose of educating people about products and services. As consumers are not aware of the use of several products and services, advertisements provide adequate knowledge to the people at large about the usage and utility of several products and services.

For example, as consumers are not aware of the composition of baby food, health drink, etc. which are made known to them by advertisements only. Advertisement provides knowledge of various aspects of products and services which really benefits and educates consumers in making wise purchase decisions.

(4) Creates and extends demand:

By arousing interest of the people and attracting their attention, advertising seeks to create and sustain demand for a product or service and expand the market for the same. Advertising is a two-edged weapon. It creates demand for products and services and also helps to maintain and extend the demand. Advertising and publicity try to bring out the hidden want within us and create demand for goods and services. Thus, new demand within the population is created and consumers are encouraged to buy more.

(5) Creates image for the product or service:

Another important purpose of advertising is to create an image both for the product as well as for the organization. This is done by emphasizing the distinctive features of the products or services through advertisements. Similarly, the reputation and goodwill of the organization can also be emphasized in advertisements.

Some advertisers also communicate information about new discoveries, new ideas and new products and thereby create good image of their firms. They also highlight their high points like low prices, special discounts, customer services, etc. which contribute to build a favourable image of the organization.

(6) Builds goodwill:

Advertising serves the purpose of promoting goodwill for the organization. Many advertisements aim at impressing the consumers that the firm is patriotic, progressive, imaginative and very much concerned with quality. This creates goodwill in the minds of the general public about the firm. This goes a long way in creating a favourable impression about the organization on the prospective buyers.

(7) Obtain dealer support:

Dealers dealing with products and services need constant support from the manufacturer in the form of advertising. Advertisements make products and services quite familiar with the prospective buyers.

As a consequence, products and services are pre-sold through advertising. Such products and services become quite familiar with the consumers. Dealers also prefer stocking those products and services which are well-advertised and having a constant demand in the market.

(8) Counters competition:

In the present day competitive marketing environment, a firm cannot escape the responsibility of spending on advertising. To counter the competitor‘s advertisement campaign, every firm has to undertake advertisement of its own. Therefore, competitive forces compel firms to spend on advertising.

Advantages of Advertising

The advertising benefits two main groups, namely

1) Manufacturers, and
2) Consumers.

The advantages of advertising for manufacturers:

1) **Large-scale production and marketing:** Advertising is useful as a sales promotion technique. It gives information to consumers and encourages them to purchase more. Manufacturers expand their production base due to a higher market demand created through advertisements.
2) **Introducing new products:** Advertising facilitates the introduction of new products. Due to it, information about new products is given to the people (prospects). A demand generates because of this and the manufacturer can sell new products along with the existing ones.
3) **Creates new demand:** Advertising spreads information and encourages consumers to purchase new products. It creates a new demand. Customers are offered various concessions in the initial period. It generates positive responses from them and soon new customers also respond. Advertisement creates new demand from non-users.
4) **Effective personal selling:** Advertising creates a proper background for personal selling. It gives advance information to the prospects. They visit the shop in order to purchase a particular product that they know through advertisements in media. The job of a salesman becomes easy as consumers develop an affinity for advertised products. It supports and supplements personal selling.
5) **Builds brand image:** Advertising build brand image and this develops consumer loyalty towards a specific brand. Manufacturers introduce branding to popularize their products with a distinct personality. Brands get popular through advertisements. Buyers develop loyalty towards a specific brand.

6) **Reduces cost of production:** Advertising creates demand and promotes sales. It enables a manufacturer to conduct production on a large scale. It leads to a reduction in the cost of production and distribution. As a result, the profit margin of the manufacturer increases.

7) **Facing competition:** Advertising aids a manufacturer to deal with market competition effectively. It helps him to promote and popularize his products. He can remove misunderstanding among consumers about his products through appropriate advertisements.

8) **Sales promotion:** A manufacturer can make his sales promotion campaign successful by using the support of advertising. He can prepare a proper background for the success of such an ad-campaign as it facilitates direct communication with consumers.

9) **Goodwill builder:** A manufacturer can build up goodwill in the business world and also among the group of customers through advertising. The social welfare programs and community service activities can get wide publicity through advertisements. The public can notice even the progress of the organization through it.

The benefits of advertising for consumers:

1) **Information and guide:** Consumers get information and guidance from advertising. They can study the advertisements of competitors and select the appropriate products that are best suited and profitable to them. It helps to avoid their cheating and exploitation at the hands of middlemen.

2) **Acts as a reminder:** Advertising act as a reminder to consumers and alerts them about the urgent product they need to purchase.

3) **Attracts customers:** Advertising leads to competition among manufacturers and retailers. They have to offer something special in order to attract buyers. Such attraction offers benefits to consumers. For example, manufacturers have to bring down the price in order to attract customers. They have to supply quality goods in order to attract them more. All this is beneficial to consumers in terms of price and quality of goods.

4) **Raises living standards:** Advertising raises the standard of living of people by supplying information about goods and services, which can offer convenience and pleasure to them. It guides consumers in the selection of most suitable products for their daily life. Thus, it provides a higher standard of living to consumers as a social group.

5) **Efficient product use:** Consumers get information about uses or benefits of different products through advertising. They also get guidance as regards the right manner of using the product and help to avoid any possible damage from the use of a purchased product. The information supplied through advertisements helps to know how to use a product in different ways.

6) **Removes misunderstanding:** Advertising helps most consumers in removing their misunderstanding about certain products. They change their attitudes towards products and services due to it.

Importance of Advertising

(1) Crucial for a launch

Advertising is crucial for the launch (introduction) of a brand new product, service or idea in the market. If the advertisement of any concerned product, service or idea is done correctly at a right place, through proper media, and within a particular time constraint, can attract many new customers. It helps to capture the market and increase sales of an advertiser. It is also essential for announcing an upcoming event. It acts as an open invitation that maximizes the chances of event attendance. If people are unaware of any such happening, they may not show up. As a result, the event may not get an expected response.

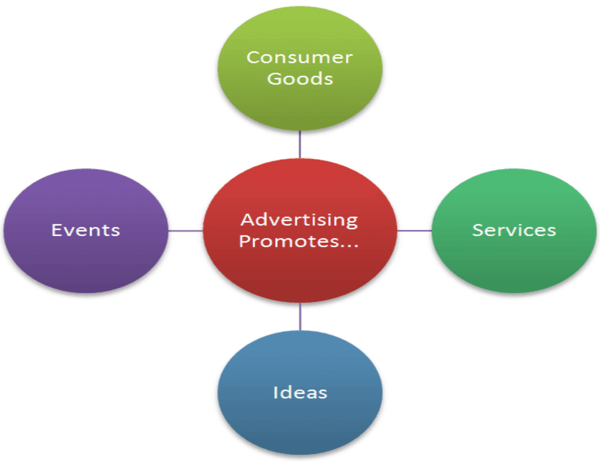
(2) Source of revenue

Advertising is a prime source of revenue for publishers of mass media like newspapers, TV channels, magazines, websites etc. The input cost involved in processing any valuable information is usually higher than its selling price. A publisher's expense rises due to various data gatherings and information-processing activities like research (investigation), professional writing, editing, proof-reading, publishing in the form of printing or digital web hosting and distribution. It pays publishers their input costs and in return use their media platform as a medium to reach maximum number of people. Indirectly, customers of publishers (who are mostly readers or viewers) also get affordable access (or sometimes even free access) to high-quality information databases.

For example, newspapers sell for pennies, although their input costs are very high. Most online websites give free and unlimited access to their information database for 24x7 because most of their input costs recovers from sponsors and ad-networks.

(3) Sales promotion

Advertising is done to promote goods, services, ideas, and events.



It is for the promotion of:

- Consumer goods under cosmetics, electronics, eatables, stationary, jewellery, textiles, etc.

- Services provided in sectors like banking, insurance, hospitality, air travel, consultancy, healthcare, education etc.
- Ideas - an entrepreneur encourages the general public to invest in his business ideas.
- An event during a festival or gatherings likes exhibitions, ceremonies, rallies, etc.

(4) Increases sales

Advertising spark an interest of advertised products and services in the masses. Interest creates demand in the market. The growing demand soon results in higher sales. Eventually, the advertiser fulfils his main goal of investing in an advertisement. However, to continue with such a growth in sales, the advertiser or merchant must also maintain a good price-quality ratio along with regularly running his ad campaigns.

(5) Maximizes profit

Advertising helps in increasing sales and control the cost borne by the advertiser. It helps to widen the gap between his sales and incurred cost. With maximizing sales and lowering cost, the profit of an advertiser grows and it aids in maximizing the profit of its advertiser.

(6) Consumer awareness

Advertising creates awareness by informing consumers.

Awareness: It creates awareness among consumers about the availability of any particular product or service in the market. It attempts to convey them why an advertised product or service is better than other alternatives currently available in the market.

Information: It informs a consumer, mainly about; various feature benefits, price and use of an advertised product or service. It also gives information about the brand name or trademark used the address of a manufacturer or a service provider, and other relevant details to the consumer. While creating awareness and supplying relevant information, it ultimately helps a consumer to make a right choice in his or her purchase.

(7) Educate the society

Advertising has a remarkable ability to reach masses and educate the society. Therefore, many Governments and even Non-Governmental Organizations (NGO) often take help of advertisements to reach and educate people on important social issues.

Creative ads released in the public interest teach people about,

- Family planning,
- AIDS awareness,
- Saving water and electricity,
- Giving children compulsory education,
- Providing a right kind of nutrition to the mother and her new-born infant,
- Abolishing child labour, etc.

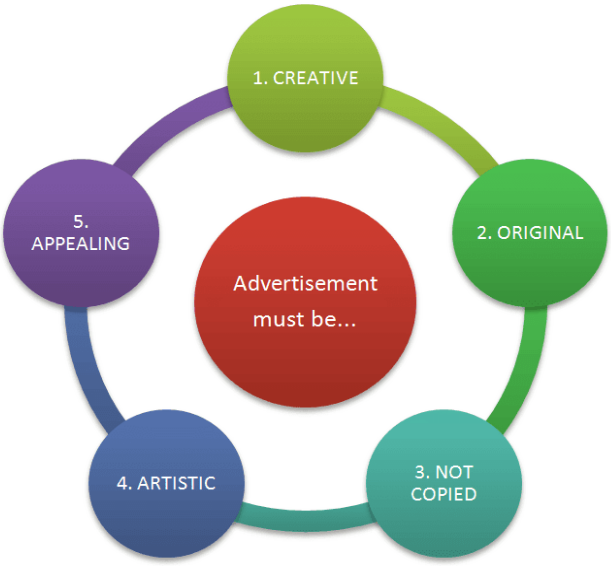
(8) Is Art, Science, and Profession

Advertising is all about art, science, and a profession. It is:

- Art - because it needs creative skills.
- Science - because it depends on systematic and scientific planning.
- Profession - because it's a work of professional agencies who follow certain business ethics or a code of conduct.

(9) Demands creativity

Advertising is impossible without creative thinking. Creativity is the essence (main ingredient or soul) of it. For an advertisement to be successful, it must have some core aspects or fundamental characteristics in it. Professional AD agencies must hire people with creative minds to make advertisements original and appealing to people.



(10) Element of a marketing mix

Advertising is an element of a marketing mix. It supports sales promotion. In today's competitive world, it is getting difficult to sell something. Consumers now-a-days are more cautious and better aware of things they buy and use. They don't easily break their loyalty towards their favorite goods or services unless and until something new allure them in unique way and compel them to give it a try.

It is correctly said,

"What they (people) often see and hear, it attracts them. It allures their psyche to change their preferences. If it holds their attention for a long time and makes them think consciously, „this seems trustworthy, and I should give a try." It SELLS."

Developing such a level of attraction is possible only with creative ad campaigns and that's the reason many manufacturers are ready to spend huge money on advertising.

(11) Target Oriented

Advertising is target-oriented in nature. In general, target oriented means to pay close attention to or keep one's focus only on a particular thing at a given time. Advertising means to focus on (i.e. target), or deliver attention towards, purely on a particular group or class of consumers.

For example, Audi (German luxury car maker) designs and targets its premium cars to suite comfort, expectations, and demand from a wealthy elite class. Maruti Suzuki (a car manufacturer) mainly brings its fuel-efficient sedan cars in the market for middle-class families in India.

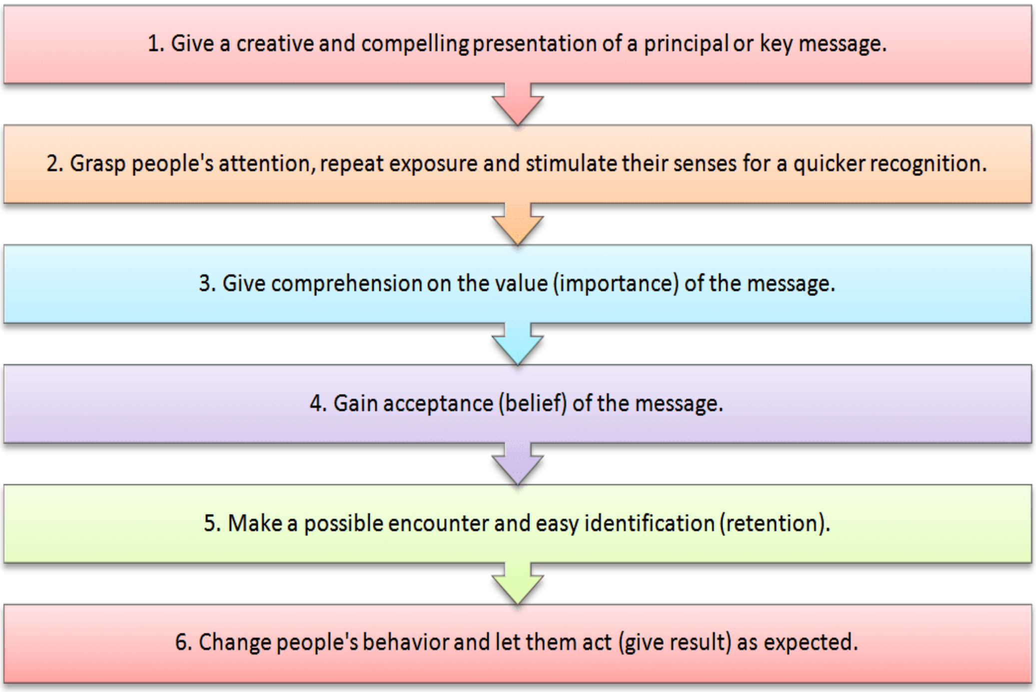
Advertising is effective only if it is focused or target-oriented.

(12) Persuasion for results

Advertising use persuasion to make people act in a desired direction. It pursues people to:

- Purchase (buy) products,
- Subscribe a service,
- Invest in ideas,
- Attend events, so on.

The persuasion works in the following six stages:



(13) Monitor demand and supply

Advertising helps in generating higher demand in the market for advertised products and services. The rising demand must get fulfilled with an equivalent amount of supply of products and efficient delivery of services. Proper care must be taken to monitor the demand and supply function so that none of the demand remains unfulfilled.

If supply is not at par with the increasing demand, then the market may soon lose confidence and demand's downfall may take place. If this happens, the sale will also fall, and the money spent on advertising won't get recovered. Eventually, this may lead to losses. When advertising results in higher demands, an appropriate supply must be ready to compensate it. The demand and supply function must be well monitored to check that such compensation is proper.

(14) Builds brand's image

Advertising creates goodwill and helps in building a brand's image in the market. Repeated advertisements make branded products and services very popular. People tend to show a more trustworthy attitude towards advertised brands over non-advertised ones. Well-known branded products are usually made from quality raw materials and hence are preferred by most consumers. As a result, the demand for branded products increases.

The rise in popularity and building of trust gradually helps to increase the value of the brand name. Eventually, this boosts sales of branded products and services. It popularizes the reputation of that entity who owns these brands.

(15) Generates employment

Advertising agencies are constantly in search of newer creative ideas to cope with the rising demands from their clients (advertisers). Each ad assignment (project) requires a high-level of mental labour. There are deadlines within which projects must be completed and submitted. Furthermore, the concept of an ad must be also welcomed (approved) by the advertiser. Overall, this creates a demand of creative people and thus opens new employment opportunities in the field of advertising.

It provides employment to deserving candidates who are creative thinkers, directors, cinematographers, artists, models, graphic designers, sales representatives and managers.

KINDS OF ADVERTISING MEDIA

(I) INDOOR ADVERTISING

When advertising is made through newspapers, magazines, radio, T.V. programmes or cinema programme in Video etc., so that people can get the message at home it is known as Indoor advertisement. People read or listen to the advertisement when they are indoor. People can be benefited by indoor advertising as they can read the newspapers or see television programme when they are having leisure time.

Indoor advertising can be studied under the following headings:

(1) PRESS MEDIA:

Advertisement in newspapers, magazines, journals etc., can be called as press advertising. It is the most popular and widely used means of advertising. It is the most economical media of advertisement. Growth of literacy and development of press also pave the way for these press media.

Following are the characteristics of press media:

- Wide coverage is possible.
- Varieties of advertising are possible.
- It is more effective for all purposes.
- Reaching of the advertisements can be judged easily.
- Detailed and informative sales programme is possible.
- Permanency and mobility of publication are possible.
- It is economical.
- It is quick in action.
- It has a longer life (magazine, journal etc.).
- Detailed address and telephone number can also be given.

(A) Newspapers:

There is no doubt that the newspapers are the best and popular medium for advertising. It reaches every nook and comer of the country. It is the most powerful selling force. In India, there are many languages. Newspapers are being published in 91 languages. According to statistics, ―Indian Express‖ daily newspaper is published from 10 places and prints 5,67,801 copies, ―The Times of India‖ is published from 3 places and prints 5,30,565 copies daily and ―Malayala Manorama‖ prints 5,27,657 copies. There is one paper, ―Andha Baazar‖ (Bengali) which prints 4,02,491 copies in Calcutta alone. Newspapers are published in different languages. Current news can be known and a large number of people go through them. Different types of newspapers are existing. They are National Dailies, Regional Dailies, Evening Dailies, and National Weeklies etc. When the literacy rate is increasing, this medium can easily be adopted for good result through advertising.

Merits of Newspaper:

- Newspapers are having a large demand and wide coverage.
- The cost of newspaper is less when compared to its use.
- Wide publicity is possible.
- It contains interesting matter for everybody. ‗Business news' for men, ‗Ladies page' for women, ‗Fashion pages' for youngster, ‗Comics and puzzles' for children etc. it assures readership.

- Speedy preparation and publication of advertising is possible.
- Newspapers are read daily and hence continuous publicity is possible.
- It makes quick results. The public response is quick. Advertisement given by sellers reaches the public quickly and they act accordingly.
- Regular and frequent advertisement is possible.
- It is flexible i.e., number of pages and shape of the advertisement can also be changed.
- It is suitable for direct and indirect selling.
- Lengthy matter for advertisement can be given.
- In local newspapers, preference is given to the advertisement of local products.
- Effectiveness of advertisement can be estimated.
- Selection of market is possible.
- It is news apart from timely.

Demerits of Newspaper:

- It is having the shortest life. ―Today‗s newspaper is tomorrow‗s waste paper.‖
- Frequent advertisement is required lest it should become ineffective.
- Newspaper advertising is affected by the illiteracy of the public. It affects the utility of newspapers also; the effectiveness is questionable.
- Chances for display and demonstration are much rare.
- People read newspapers in a hurry. They do not take notice of the advertisement. Advertisement becomes a waste.

(B) Magazines and Journals:

These are periodically published. They are published weekly, fortnightly or monthly. Magazines are read leisurely. Magazines are published according to the tastes or liking of the public. There are different types of magazines:

(a) General Magazines:

General magazines are read in easy-chairs. There is generally a lengthy advertisement. The standard of reproduction is also in a better way. They give more interesting and a longer duration, e.g., Illustrated Weekly, Blitz etc.

(b) Specialists Magazines:

They are technical journals and professional journals. Technicians read technical journals. Doctors, lawyers, accountants etc., read professional journals. There are special magazines for industry, banking, politics, religion, agriculture, insurance, transport, literature etc. Special magazines for women and children are also available.

(c) Special Issues:

Deepawali Malar, Directory (Telephone Directory) are also published which contain a large number of advertisements along with articles, stories, special features etc. Some magazines enjoy national and international circulations.

Merits:

- It is having longer life than newspapers and it is a great help to advertisement.
- It is having greater reference value of advertisement.
- Colour advertisement attracts the people very much.
- It is published for selected people.It is having a high degree of selectivity. Famina is meant for women. Medical journals for doctors etc.
- Cost is comparatively low.
- Advertisement in standard magazines creates a national image for the product, e.g., Reader‘s Digest, Illustrated Weekly etc.
- It satisfies the need of a particular class of people, say ―Commerce‖ for business.
- Magazines guarantee uniformity of coverage.

Demerits:

- It is less flexible.
- Limited circulation. It reaches only a limited section of people.
- It is costly. High quality paper, colours and preparation cost of magazines are high. The cost of advertising is also high.
- Introduction of a new product is ineffective, as it takes time to advertise the new products and hence timely information of arrival of a product is not possible.
- Advance planning is needed to advertise in the magazine.
- It is not suitable for regional advertising. For example Reader‘s Digest is unsuitable for regional advertising.

(2) RADIO:

Radio is the quickest medium of advertising when compared to newspapers or magazines. Sound moves faster than other media. It is a popular medium of advertising for a commercial firm. Radio makes its appeal to the car. Commercial radio broadcasting has become popular and is widely used in all countries.

It is also popular in India and the radio has started playing an important role as one of the media of advertising. It plays its role well, especially in rural areas where newspapers cannot reach. The maximum number of radio sets is in Tamil Nadu followed by Maharashtra, West Bengal, Gujarat. Transistorized radio brightens the scope of advertising.

Merits:

- Coverage and appeal are wide.
- It is the best means for illiterate people.
- Spoken words are more effective than written words.
- It is flexible and timely.
- It adds to the prestige of the advertiser.
- Spot programmes can be arranged.

Demerits:

- It is quite costly.
- Only limited time will be allowed.
- In many cases, listeners may be irritated with the commercial advertisements.
- The effectiveness of advertising cannot be measured.

(3) TELEVISION:

In Delhi the first television centre was set up in 1962, followed by Bombay, Calcutta, Lucknow, Madras etc. Television advertising is the latest medium of mass communication and is widely used for advertisement. It is an audio-visual medium because one can see and hear. The maximum numbers of television sets are in Maharashtra followed by Delhi.

Merits:

- It appeals to the eye and the ear.
- People are impressed by pictorial presentation.
- Interest is further boosted by introducing colour televisions.
- It has the characteristics of a salesman.

Demerits:

- It is an expensive medium.
- The impact of advertising cannot be measured.
- It is suitable only for large firms.

(4) FILM:

The effects of television medium and film medium are the same. Film advertising is also advantageously used by advertiser. Cinema is an audio-visual medium of communication and offers opportunities to advertisers for screening commercial films and slides. In India, there are about 7000 cinema houses and 3,500 touring cinemas (approximate). The maximum number of cinema houses is in Andhra Pradesh followed by Tamil Nadu, Maharashtra, Uttar Pradesh and Kerala. The maximum number of touring cinemas is in Tamil Nadu followed by Andhra Pradesh and Kerala. For almost all consumer goods manufacturers are advantageously using this medium.

Merits:

- It can create a good impact on the audience.
- It covers all classes of people-poor, middle and rich.
- Explanation and demonstration are possible.
- It has a wide appeal.

Demerits:

- Producing a film is costly.
- Effectiveness cannot be measured.
- The co-operation of theatre owners is essential.
- The audience becomes irritated where more such advertising films are shown.
- Only cine goers can be covered.

(II) OUTDOOR ADVERTISING

Outdoor advertising passes the message to those people who are moving audience. Generally all the people go out on some purpose or other-office, walk, sightseeing, journey, park visit etc. This outdoor advertising has the best effects of advertising. The merits and demerits of this advertising are:

Merits of Outdoor Advertising:

There are several advantages of outdoor advertising. Following are some of the important ones:

- Most of the outdoor advertising is able to attract the attention of passers-by immediately. Because of attractive colour, big size, bold design and strategic locations such advertisements are able to attract the attention of the prospects easily and make a lasting impression on the viewers.
- Outdoor advertising can be concentrated in those localities where the selling possibilities are high. Thus undoubtedly this can be one of the best media of local advertising for manufacturers.
- Most outdoor advertising are durable and economical. The painted and travelling displays last for longer periods. People who happen to pass important areas and busy localities are able to see the displays again and again.
- Outdoor advertising helps in covering the ugliness of the walls. Bad and damaged walls get a face-lift when attractive posters are pasted and alluring paintings are made on such walls.
- Outdoor advertising is able to attract the attention of a large number of people. Paintings, neon signs can be used for a pretty long time and the selling message can reach the maximum number of people.
- Outdoor advertising also helps the manufacturer by reminding the prospects about their products and services. Thus it is able to supplement other media of advertising.

- Outdoor advertising is considered less expensive since it is able to attract the attention of a large number of people.

Limitations of Outdoor Advertising:

There are certain limitations of outdoor advertising. They are:

- One of the major drawbacks of outdoor advertising is that it remains brief. By no way can outdoor advertising messages be made in detail. Therefore, it can be treated as an introduction to advertising but not a full-fledged advertisement.
- Outdoor advertising is a costlier form of advertising. Media like sky-writing, use of balloons, etc. cannot be repeated very frequently.
- The effectiveness of outdoor advertising cannot be measured easily. There is every possibility of wastage in such advertising.
- It is often argued that outdoor advertising like posters; wall paintings, etc. make the walls ugly.

Types of Outdoor Advertising:

(1) Mural Advertising (Posters):

At present this is a common form of advertising. The posters are made in attractive colours in brief and printed. The poster is a sheet of paper. The matter is depicted on it. Then the prepared posters are pasted on walls or boards. Film showers use this medium for advertising and the posters are pasted in such a manner that they are projected to the people at bus stand, railway station, marketplace, parks, libraries, and crowded areas.

The cost is less. It is flexible. It has a short life, because in cities, posters pasted in the morning, may disappear in the evening by pasting new papers on them. In certain places like cities, the space has to be hired for pasting posters.

(2) Advertising Boards:

These are also posters, but have better status than ordinary posters. The boards are fixed at the areas where people frequently assemble. Such boards are fixed at decent and neat places. They appear more attractive than posters.

(3) Vehicular Advertising:

This moving advertisement finds place on vehicles-buses, trains etc. The vehicle passes through many places and many people happen to see it.

(4) Painted Display:

It is an artist‘s work. This display is large in size. It is visible from a distance. It finds place at crossings, compound walls or erected structures built of poles or pillars.

(5) *Travelling Display:*

These are the advertisements as posters, small in size, written beautifully and placed inside trains, buses, tramcars, vans etc. The travelling people, in these vehicles, repeatedly notice it and keep it in their memory.

(6) *Electric Display:*

Electric display is more attractive. It is popular now-a-days. The beauty and attractiveness depend upon the skill of electrical engineers. Another method is that of running bulbs strap and it looks like moving. Such arrangements are common in big cities. During night time or in dark background it is more bright and alluring. It is costly.

(7) *Sky Advertising:*

Sky advertising and sky writing have become popular. Big balloons with message written on them or attached to them are allowed to float in the air. Big kites containing advertisement may be floated in the open air. Sky writing is a kind of advertising played by the pilot, through aero plane, either by forming smoke or by illumination.

Karnataka State Lottery Agencies have adopted big balloons for the sake of publicity. The inscription or writing on the balloon will speak about the products. Almost all the circus companies use the high powered revolving search lights to attract the attention of the public. All these types of advertisements can be seen from a long distance.

(8) *Sandwich-men:*

Sandwich-men are hired by the advertisers. They move or walk down through busy roads and streets. They dress in a peculiar way with fancy clothes. They carry posters of the product of the advertisers. They utter slogans. They create certain type of musical sounds. This sort of advertisement has short life, but is effective. Cinema theatres usually adopt this method of publicity.

(9) *Handbills (Leaflets):*

Handbills are common and too cheap. Handbills which are in the form of leaflets are distributed among the people through hired men. Sometimes, music bands are also played along with distribution of leaflets. Only interested persons may go through the handbills. The handbill distributor distributes copies of the handbill to all, who pass nearby. An uninterested person receives it by one hand and throws it away by the other hand. This type of advertising is suitable for small business people.

(III) DIRECT ADVERTISING

The object of direct advertising is to create a direct contact with the customers. The advertiser can keep a close touch with the customers or the public, who are supposed to have interest in his product. He contacts them and keeps a close touch with them through mail advertising. It is a common method. It is also known as direct mail advertising.

Characteristics of Direct Advertising:

1) Through direct advertising, more or less a personal contact can be maintained.
2) There is a written form of communication i.e., letter.
3) Contacts are through post.

Merits of Direct Advertising:

- A personal relationship with the customers can be maintained.
- Detailed information can be conveyed.
- Effectiveness of this system can be measured.
- This system is elastic; addition or deletion is possible.
- Privacy can be maintained.
- It is highly selective; i.e., sending the letters to those, whom the advertiser selects.
- It is cheaper.

Demerits of Direct Advertising:

- In drafting mail, specialized skill is needed.
- 2 It is difficult to maintain an up-to-date mailing list.
- The success depends upon the reaching of the recipient.
- In many cases, it fetches no attention of the receiver.

(1) Sales Letters:

Sales letters are persuasive in nature. Many firms think every letter that goes out from the firm is a sales letter, because every business letter aims at an opportunity to sell the firm‘s product or earn goodwill for the firm. The salesman is substituted by the sales letters because the purpose of salesman and sales letters is the same, i.e., push up the sales. Drafting a sales letter is in the form of advertising, to create an interest in the mind of the reader. Sales letters are cheaper and convenient.

Purpose of Sales Letter:

1) To confer faith in the product.
2) To get an enquiry letter from the reader.
3) To create an interest in the recipient‘s mind.
4) To create sales and goodwill.

(2) Circulars:

It carries communication to a number of addresses. The circular letter contains information about the products. It is generally cyclostyled or is in the printed form. It carries less attention than the sales letter. The merits and demerits are similar to sales letters.

(3) Booklets and Catalogues:

These contain more particulars of the product and the firm. Booklets are in the form of a small book. Catalogue contains more information than a booklet. Fundamentally both are similar. Catalogue will be more attractive and it contains illustration of products with details and price lists.

(4) Folders:

These are letters or cards containing details of the products. They contain illustration. Folders can be sent without an envelope. The folders can be folded conveniently, as they are made of thick paper. These are generally adopted by publishers, medical firms, industrialists etc. The folders must be attractive.

(5) Package Inserts:

This is a system through which leaflets about the products are inserted in the packets of products. The package insert may contain details of the same product or other products of the same firm. Thus it is an advertisement.

(6) Store Publication:

This is also known as _house organs‘. Certain firms may publish periodicals or magazines which contain information about the development of the firm. These will be distributed to wholesalers, retailers etc., free of cost.

(IV) PROMOTIONAL ADVERTISING

The object of promotional advertising is to increase the sales. These are also known as _display advertising‘. It demonstrates the products. The following are the important types:

(1) Window Display (outside display):

Window display is the medium used to attract the public by creating an interest in them. The products dealt in by the firm are placed at the front of the firm, trying to create an arousing interest in the minds of them. A good arranged system of window display naturally increases the sales. It gives a memorizing attitude to the public, even if one is not entering the shop at the sight of the display. Window display should be the following:

1) It must be in a suitable position.
2) The window should not be crowded with items.
3) Good light and pleasing colours are essential.
4) Articles in display must be changed often.
5) It must create attention, attraction, interest, desire and action.
6) The price tag should be attached to products.
7) It must always be kept clean and neat.

Merits:

- It has –at the point of purchase‖ effect.
- 2 It attracts the onlookers.
- It is used as an indicator of status to the firm.

(2) Interior Display:

In large-scale organizations, they use this type of display. Glass-doored cupboards, sunglass show-cases are used for internal display. Window display is arranged outside, but interior display is inside the shop. The related articles are displayed within easy reach. It is easy for the buyers to get the products needed by them.

Merits:

- Purchasing is made easier.
- It facilitates to sell allied products.
- The whole shop becomes attractive.
- It is flexible.

(3) Show-room:

Consumers always insist on prior inspection of the products, which they aim to purchase. Sellers must provide facility for their inspection. Buyers are not satisfied with mere publicity. They want to have a close look at the product. In a show-room, not only the needed products are kept, but different products also. This creates an inward interest on other products, when one makes a purchase of the needed item. In the show-room, salesmen are there to explain about the prospects. It must be highly decorated and must have good lighting arrangement with good atmosphere. Textile mills, and firms producing furniture, refrigerators, television sets, radio sets and other luxurious items must have generally show-rooms.

Merits:

- The show-room appears as a sales centre.
- Consumers can study the product and its proper functions as well as precautions.

(4) Exhibition:

It is known to everyone. This is also known as trade shows. The idea behind the exhibition is to promote sales of the goods exhibited. All, big or small, manufacturers reserve stalls in the exhibition area to exhibit their products. Exhibitions are popular and it is the place where competitors meet. They are held on local, national or international level.

Merits:

- Variety of products display can be witnessed.
- It is always interesting to the public.
- It is a ready-made market.

When selecting a medium for advertising, the following should be considered:

1) Objective of advertising.
2) 2 The financial ability of the producer.
3) The nature and extent of competition.
4) The prospective buyers.
5) The class of buyers (caste, age, sex, etc.).
6) Whereabouts of his customers.
7) Nature of message.
8) Medium to be adopted.
9) The cost of medium.
10) Circulation of the medium.

PERSONAL SELLING

Personal-selling or salesmanship is synonymous terms with the only difference that the former term is of recent origin, while the latter term has been traditionally in usage, in the commercial world. A salesman, in persuading a prospect to buy a certain product, follows a personal approach; salesmanship, in the present-day-times in often popularly called as personal selling. Personal selling (or salesmanship) is the most traditional method, devised by manufactures, for promotion of the sales of their products. Prior to the development of the advertising technique, personal selling used to be the only method used by manufacturers for promotion of sales. It is, in fact, the forerunner of advertising and other sales promotion devices.

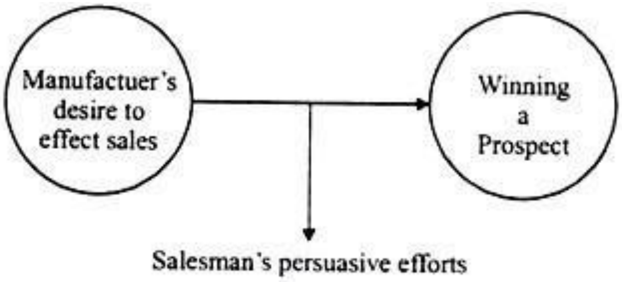
Meaning Personal Selling:

Selling is personal or impersonal process of assisting and/or persuading a prospective customer to buy a commodity or service or to act favourably upon an idea that has commercial significance to the seller.

Concept of Personal Selling:

Personal selling might be defined as follows:

Personal selling is a face-to-face contact between the salesman and the prospect; through which the salesman persuades the prospect, to appreciate the need for the product canvassed by him – with the expectation of a sales-transaction, being eventually materialized.



Following are given some popular definitions of salesmanship

(1) ―Salesmanship is the art of presenting an offering so that the prospect appreciates the need for it and a mutually satisfactory sale follows.‖

— Philips and Duncan

(2) ―It is the part of a salesman's' business to create demand by demonstrating that the need does exist, although before his visit there was no consciousness of that need.‖

— W. Major Scott

Features of Personal Selling:

Some important features of personal selling are given below:

(i) Personal selling involves a face-to-face contact between the salesman and the prospect.

(ii) It is an art of persuading the prospect, to appreciate the need for the product canvassed by the salesman, in a democratic, cordial and social manner. This requires outstanding qualities in a salesman; specially the proficiency in selling skills and techniques.

(iii) In personal selling, the emphasis is on the development of permanent and lasting relations with prospects. If a prospect is won; a sales transaction might materialize with him subsequently in future. Obtaining an immediate sale may be the natural ambition of a salesman; it should never be his target.

(iv) A salesman sells product, by first selling his own idea or viewpoint to the prospect. Personal selling is the art of convincing the prospect and influencing his mind, in a favourable way.

(v) Personal selling requires a flexible approach; on the part of the salesman i.e. the salesman should modify his approach in persuading the prospect, in view of the psychology, needs and resources of the prospect.

(vi) The ultimate goal of personal selling is mutual satisfaction of the interests of both – the salesman and the prospect.

Need For Personal Selling:

Despite the dominance of advertising, in the present day commercial world, personal selling still occupies its unique place; co-existing with advertising.

Some of the reasons for the need of personal selling are as follows:

(i) Requirements of Product Demonstration:

There are certain products which require a demonstration, for purposes of explaining their use, manner of their handling and the precautions required in using them. This requirement for product demonstration necessitates personal selling; as no advertising media cannot undertake this work. A good instance of products requiring demonstration is a washing machine, used in households. A salesman is required for explaining the operation of a washing machine to housewives.

(ii) Illiterate Prospects:

Where a manufacturer is interested in selling some of his products to prospects, who, by and large, are literate; personal selling is necessary. Illiterate prospects could not be expected to appreciate the need and utility for a product-just through advertising. Salesmen are needed to approach such illiterate prospects, who would explain the usefulness of the products to them, in a convincing style.

(iii) Traditional Necessity of Personal Selling:

There are cases of products, where advertising is not usually done; partly due to the technical or specialized nature of products and partly due to traditions. In cases of such products personal selling is necessitated to meet the requirements of tradition prevalent in particular trades.

Examples of such products as require personal selling are:

1) Medicines, where salesmen (called medical representatives) still go from doctor to doctor or from hospital to hospital, canvassing new medicines manufactured by their pharmaceutical companies.
2) Industrial goods (like new machines or spare parts), where salesmen visit various industrial houses and convince the industrialists, of the utility of the new industrial goods manufactured by their companies.

(iv) Emergence of an Entirely New Type of Product:

In case of innovations, i.e. entirely new types of products, manufactured by a producer, salesmen are appointed by the producer to publicize such new products to prepare a base for demand creation. Then, through subsequent advertising, by the manufacturer, demand base is further expanded.

(v) Need to Develop Relations with Customers:

Personal selling helps a manufacturer to develop good relations with customers/prospects. Through advertising alone, development of relations with customers is not possible. This factor again necessitates personal selling and accounts for its survival, in the present-day times.

(vi) Source of Marketing Research Data:

Salesmen with their interactions with customers, prospects, dealers etc., are able to provide valuable data to the manufacturer about market trends, consumer preferences, degree of market competition etc.; which are utilized for marketing research purposes.

Some of the manufacturers appoint salesmen precisely for this purpose, besides expecting them to create more sales. This factor becomes a modern factor necessitating salesmanship; and accounting for its survival under the modern marketing conditions.

(vii) To Remove Misconceptions Caused by Competitive Advertising:

In the modern marketing world, competitive advertising has become so aggressive that one competitor would not hesitate in defaming the products of others for the sake of building a reputation for his own product. A manufacturer through salesmanship can plan to remove such misconceptions from the minds of prospects (caused by competitive advertising), by making them available true facts and merits of his products through his own salesmen.

Basic Characteristics of Personal Selling

1) Personal selling lays emphasis on personal contact between the prospective buyer and the seller or his representative.
2) It requires the buyer to be induced and persuaded to buy.
3) Personal selling is an art. The salesman has to actually sell the product idea before selling the product. This requires skill.
4) It offers scope to impart product knowledge to the prospective buyers.
5) Personal selling provides an opportunity to develop bondage between the buyers and the business

Benefits of Personal Selling:

(1) Two-Way Communication:

It is the best tool for two-way communication. Salesman can provide necessary information to customer about company‘s offer and also can collect information from customer. Customer can actively involve with salesman to solve his doubts and objections. It is not possible in any other methods of market promotion.

(2) Personal Attention:

Advertising and publicity are among mass communication tools. They do not cater individual needs. Personal selling focuses on personal problems of customers. It is comparatively more effective and result-oriented.

(3) Detail Demonstration:

Except television advertisements, demonstration is not possible. Television demonstration is much limited. Salesman can provide a detail demonstration and can supervise when customer is making the actual use of products. For technical products, it has more relevance.

(4) Complementary to other Promotional Tools:

Personal selling can support advertising, sales promotion, and publicity. It removes the drawbacks of advertising and sales promotion. Advertising increases awareness while personal selling reinforces the advertising message. Similarly, it can make sales promotion tools more effective by personal guidance or conviction.

(5) Immediate Feedback:

This is the only market promotion technique that provides an immediate feedback. At the end of every call/visit, a salesman can easily judge whether the customer is interested or indented to buy.

(6) Individual Services:

Salesmanship offers individual services. It can meet personal expectations of buyers. It leads to customer satisfaction.

(7) Flexibility:

Sales talks and presentation can be adjusted according to situation to suit individual nature, motives, and problems.

(8) Customer Confidence:

By systematic sales talk and presentation, a capable salesman can remove all doubts, quarries, objections and misunderstandings, and can win customer‘s confidence. It increases customers‘ faith in company and its offers.

(9) Triple Rewards:

Salesmanship offers triple rewards. It benefits all parties, including customer, salesman, and company. Customer is satisfied with products and services; salesman can achieve his targets; and company can improve its market share and profits.

(10) Improving Image:

Salesmanship can remove bad image or misunderstanding by highlighting company‘s achievements and offers. The detailed explanation about company and its products removes all doubts and misunderstandings. It helps in restoring company image and reputation in market.

Arguments Against Personal Selling

1) Personal selling forces buyers to buy goods they may not actually require.
2) The salesman earns the ill-will rather than the goodwill of the buyer.
3) The success of personal selling depends much on the capabilities of the salesman. If the salesman is incapable, he may not be able to sell even a very good product.
4) There is also a feeling that salesmen are required to sell a not so good product.
5) Most people feel that the salesmen hardly speak the truth. The salesmen are always desperate and their only aim is to somehow sell.

Steps Involved in Personal Selling

(1) Identifying the buyers

The first step in personal selling is to identify the potential buyer. The salesman cannot call on any buyer at random for different types of goods. Products like toothpaste, soap or hair-oil can be offered to anybody. There are certain products which can be offered to certain buyers only. Products like television, fridge, etc., can be offered only to those who are affluent. There are still certain other products like computer, air-conditioner, etc., that are desired only by a few even within the affluent group. Thus, the main task of the salesman is to identify correctly the potential buyers.

(2) Approaching the buyers

Having identified the potential buyers, the next step is to approach them. The salesman has to adopt a planned approach in contacting the buyers. The salesman has to first of all find out the convenience of the buyer and fix up an appointment with him. This is particularly necessary if the salesman is selling intangibles like insurance or expensive goods like vacuum cleaner, personal computer, etc.

(3) Overcoming objections

During the discussion with the prospective buyer, the salesman is sure to receive certain objections from the former. The salesman should never be under the impression that the buyer will accept all that he says even if what he says is true. The buyer may have his own ideas and may not accept all the claims of the salesman. The salesman shall not speak in a manner to provoke the buyer. If the buyer gets provoked, the salesman has to keep his cool and diplomatically overcome the objections raised by the buyer.

(4) Closing the sale

Once the buyer is convinced of the product or service, gives his consent. The success of personal selling lies in the ability of the salesman to get the buyer‘s consent. Not every salesman has the ability to complete the deal successfully. Only those salesmen who have the skill, knowledge and courage will be able to do the work fruitfully.

Personal Selling Methods

Any one of the following selling methods may be used in personal selling, depending upon characteristics of a product or buyer.

(1) Tender Selling

The buyer may invite open tenders through newspapers and a company is required to submit their offers with price, terms of payment and delivery period, etc.

Generally, in all Government purchase, sealed tenders are invited and are opened on a particular prefixed date and time and orders may be granted to the lowest bidder. Sometimes, purchaser may negotiate bids and finalize order with a company which may not be the lowest bidder. The role of a salesman will be quite useful in such negotiations.

(2) Selling through discussions

In large companies, orders are finalized following discussions, at the purchaser‘s place. The order is generally issued after verifying seller‘s performance, reliability and after sales service. Generally, private sector companies choose this route as this is faster and many problems and clarifications could be thrashed out across the table through informal and formal discussions.

(3) Door to Door selling

In this method, company‘s salesman visits prospective buyers to explore the possibilities of selling. This method is generally used for household products and for new product introduction. This method of selling is highly useful in rural, semi urban and even in cities. In India, consumer products like soaps, shampoo, sarees are sold regularly through door to door selling.

(4) Over the Counter selling (OTC selling)

In this method, in all retail outlets, the salesmen sell a company‘s products exclusively and this method is used for all consumer goods. In India and in many Asian countries, this method employs highest number of sales persons. Indian companies like Reliance (Only Vimal Showrooms), Bata, Philips, BPL, Sony, Asian Paints, Zodiac Gwalior Rayon, Bombay Dyeing, Mafatlal, Pierre Cardin sell whole lot of products ranging from suiting materials, textiles, readymade garments, shoes, colour television, audio-video electronic products, paints and food products through this method. Personal selling is the most important ingredient in the promotion mix. It is the largest single operating cost accounting for 10 to 15% of net sales in many enterprises.

Advantages of Personal Selling

1) A salesman can pinpoint prospect, whereas advertising cannot distinguish precisely a prospect from a suspect as it is a means of mass communication and not an individual communication. There is minimum waste of effort and expenditure in personal selling or communication.
2) Personal interview in salesmanship assures attention and interest of a prospect. Personal selling has flexibility. Sales talk and sales presentation can be fitted to the individual needs and motives of a prospect. This is not possible in advertising. Even the best advertisements may attract attention and interest of hardly 60% of viewers or listeners or readers.
3) Advertisement has a broad sales message. It cannot be adjusted to reactions and objections of any one prospect. Salesman can adjust sales presentation on the spot to meet objections and reactions of his prospect in order to gain action.
4) Advertising can attract attention and arouse interest but usually it is left to the salesman to close the sale and effect transfer of title.
5) Actual demonstration of the product or its use is recognised as the most powerful means of convincing. Advertising cannot use demonstration, but salesman can use it easily.

6) Personal selling is the best means of two-way communication continuously between the company and its customers. Top management can be fully informed about many vital matters such as competition, customer reaction and comment, market trend, dealer demands, etc.

Limitations on Personal Selling:

1) The greatest limitation is the high cost of personal selling particularly in inflationary conditions. The cost of developing and maintaining efficient sales force is quite high.

2) Good and competent salespersons are scarce. When compared with other occupations, sales profession is becoming less attractive.

Nature of Personal Selling

1) **PART OF PROMOTIONAL MIX:** Personal selling is a part of promotional mix, or the communication mix, in the company's marketing program. The major elements in the promotional mix are the company's advertising, sales promotion, and personal selling efforts.

2) **INDIVIDUAL, PERSONAL COMMUNICATION:** Personal selling is the individual and personal communication of information, in contrast to the mass, impersonal communication of advertising, sales promotion, and other promotional tools.

3) **FLEXIBLE TOOL:** Personal selling is more flexible than these other tools. Salespeople can see their customer's reaction to a particular sales approach and make adjustments on the spot."

4) **FOCUSED ON CUSTOMERS:** Personal selling is usually focused or pinpointed on prospective customers. It considers the needs, desires and buying problems of the customers.

5) **ALIVE INTERACTION:** Each party observes the other's needs at close hand and makes immediate adjustments.

6) **LONG-RUN RELATIONSHIP:** Personal selling permits all kinds of relationship to spring up. It establishes a selling relationship and also a deep personal friendship. It keeps customer's best interests at heart. It maintains long-run relationships.

7) **RESPONSE:** Personal selling is based on buyer's reactions and response. It makes the buyer feel that he is listened to, and his needs are considered.

8) **PERSUASION:** It is concerned with persuasive communication. A salesperson in personal selling tries to persuade the prospect so that he can take a decision to acquire the product which the salesperson is talking about.

9) **HUMAN ELEMENT INTO MARKETING:** It is a major factor in creating sales volume. It brings human element into marketing transactions and increases the customer's confidence in the supplier

10) **CREATIVE:** Personal selling is creative by nature. The salespeople try to create needs, make the customers aware of these need and try to persuade them to buy the product. The salesman "does not sell, but he creates in the other man the urge to buy."

11) **SERVICE ELEMENT:** Personal selling is not getting rid of a thing or cheating the customers. It is necessarily an act of assisting the customers to buy wisely. Today, it has become a symbol for honesty and dependability. It is a service that is serving the customer for the good cause of humanity.

Functions, Duties and Responsibilities of a Salesman

The duties and responsibilities of a salesman differ from one business to another depending upon the nature of the business, the size of the business, the type of selling job, the sales policies of the concern, etc. However, there are certain duties and responsibilities which are common to all types of business.

(1) Selling

The fundamental duty of a salesman is selling. This duty includes meeting the prospects, presenting and demonstrating the products, inducing the prospects to buy, taking orders and effecting sales.

(2) Guiding the buyers

A salesman should guide the buyers in buying the goods they want.

(3) Attending to complaints

A salesman should attend to the complaints of the customers immediately and try to settle their grievances quickly and sincerely.

(4) Collection of bills

Sometimes, a salesman may be required to collect the outstanding bills relating to the goods sold by him. In such a case, he has to collect the bills and remit the amount to his firm.

(5) Collection of credit information

A salesman may be required to collect information about the credit-worthiness of the customers. In that situation he has to collect detailed information and submit it to his firm in time.

(6) Reporting

A salesman especially a traveling salesman, is required to send daily, weekly or monthly reports to his firm, providing information about the calls made, sales effected, services rendered, route schedule, expenses incurred, business conditions, competition, if any, etc.

(7) Organizing

A salesman, i.e., a traveling salesman, is required to organize his tour programme. He has to prepare the route and time schedules for his tour so as to systematize his sales efforts.

(8) Attending sales meetings

A salesman is required to attend the sales meetings convened by his employer at periodical intervals to discuss the marketing problems, sales promotion activities, sales policies, etc.

(9) Touring

A traveling salesman has to undertake touring regularly to cover the sales territories assigned to him.

(10) Arranging for packing and delivery

A salesman, i.e., a counter salesman, has to arrange for the packing of the goods sold and the delivery of the packages to the buyers.

(11) Window and counter displays

A salesman, i.e., an indoor or counter salesman, has to arrange for the window and counter displays of the products in an attractive manner so as to attract or induce the prospects to buy.

(12) Promotion of goodwill

Every salesman has to build up satisfied clientele (i.e., customers) for his employer and thereby promote the goodwill of his firm.

(13) Recruiting and Training

Recruiting new salesmen and imparting training by accompanying them while making sales calls.

(14) Working with Middlemen

Salesmen establish direct relations with middlemen — distributors, wholesalers, etc., and collect market information and pass it on to their firm.

Types of Salesmen:

- Manufacturer's,
- Wholesaler's and
- Retailer's Salesman

(1) Manufacturer's Salesman:

He is employed to sell goods directly to the consumers, wholesalers or retailers.

He deals in limited number of products and possesses specialised knowledge about the same. A manufacturer salesman can be of three types.

(a) Pioneer Salesman:

He is primarily concerned with the sale of the new product. He is very competent and creative in his job.

(b) Dealer Serving Salesman:

He supplies goods of his manufacturer to various dealers. He also imparts training to the salesmen of the dealers.

(c) Speciality Salesman:

He sells the manufacturer‘s products directly to the consumers. He usually undertakes costly items like washing machines, televisions and calculators etc. He tells the consumers about the use of the product by giving practical demonstration. He should be expert and well trained in his job.

(2) Wholesaler's Salesman:

He is appointed by the wholesaler and deals with the retailers. He informs the retailers about the availability of various products with the wholesaler and helps them in selecting the articles. A wholesaler‘s salesman is of two type‘s viz., indoor and outdoor salesman.

Indoor salesman serves the retailers at the wholesaler‘s premises and supplies them goods, whereas outdoor salesman goes to various retailers in order to collect their orders.

(3) Retailer's Salesman:

He is appointed by the retailer and deals directly with the consumers. He caters to the needs of the consumers both at the retailer‘s business place and attending the consumers at their place. He also distributes free samples of the goods to the consumers and also gives them practical demonstration of the products.

A retailer‘s salesman can be either creative or service salesman. A creative salesman is concerned with introducing a new product in the market whereas the service salesman is concerned with maintaining the demand of the existing products in the market.

Difference Between Advertising And Personal Selling

Advertising is one of the widely used techniques of promotion, wherein modes like television, radio, newspapers, internet, etc. are used for creating demand or interest of the customers towards the product or services offered by the company. On the other hand, **personal selling** is the verbal communication of the message, to one or more customers, so as to create sales. Both advertising and personal selling are two major elements of **promotion mix**, which is employed by the organization to reach communication objectives. Advertising differs from personal selling, in the fact that the former is a monolog activity, but the latter is dialogue. To further comprehend the difference between advertising and personal selling, take a read of the article given below.

Basis For Comparison	Advertising	Personal Selling
Meaning	Advertising is a means of communication, which calls customer's attention towards the product or service, through mass media.	Personal selling refers to a form of promotion, wherein the sales representative sells the product to customers, by directly visiting them.

Basis For Comparison	Advertising	Personal Selling
Communication	One-way communication	Two-way communication
Form	Impersonal form of communication	Personal form of communication
Strategy	Pull strategy	Push strategy
Message	Standardised	Customised
Channel	Mass media	Sales personnel
Time	Conveys message to end number of individual in less time.	Conveys message to a few customers only in relatively high time.
Feedback	Lacks direct feedback	Facilitates direct and instant feedback

AIDAS Theory of Selling

The AIDAS theory of selling is one of the widest known theories and is the basis for training materials across numerous organizations. AIDAS stands for Attention, Interest, Desire, Action, and Satisfaction. The AIDAS theory simply states that a prospect goes through five different stages before finally responding satisfactorily to the product and thus he should be led comfortably through all five stages.

(1) Attention

Gaining attention is a skill and just like any skill, gaining attention can be improved upon with practice. A common phrase applicable over here is –First impression is last impression‖. The initial attempt of the sales person must be to put the customer completely at ease. Casual conversation is one of the best openers after which the sales person can gain customer attention by leading him onto the sale.

(2) Interest

Once attention is gained, it is very important to maintain interest. Some sales people are very good in the opening but as the technicalities take over, they become uncomfortable while explaining the product. Whereas others who are strong in the product department might open bluntly but create interest in the second stage. Maintaining interest is a crucial part of the sales process and hence is included in the AIDAS theory.

(3) Desire

Third aspect is to create enough desire in the customers mind such that he immediately has to buy the product. They highlight the product in such a manner that consumers might be thinking –Why didnt i buy this product before‖. Thus kindling that desire becomes an integral part of the AIDAS selling theory.

(4) Action

Although there may be desire for the product, the customer might not act on it. He might want to buy the product but he might not buy it. In such cases the customer needs to be induced. There are various ways to induce the customer such that he buys the product. It is important for the sales person to understand whether to directly induce the customer or whether to push subtle reminders that salesperson is there for a sales call, both methods work, but salesperson must need to know their customer.

(5) Satisfaction

The customer has just parted with his money he expects the good service from the sales person. So after the sales, the salesperson must reassure the customer that he has made the right decision. The product is good for the customer and salesperson only presented the product. It was his decision and he is right about it. These small cues post the sales process and really give confidence to the customer. He then looks forward to the product rather than thinking whether or not he has made the right decision.

UNIT - 6

RECENT TRENDS IN MARKETING

GLOBAL MARKETING

Global Marketing is more than simply selling a product internationally. It involves planning, producing, placing, and promoting a business' products or services in the worldwide market. There is significantly more too global marketing than simply selling goods and services internationally. It is the process of conceptualizing and subsequently conveying a final product or service globally. The company aims to reach the international marketing community. Large businesses often have offices in the foreign countries they market to; but with the expansion of the Internet, even small companies can reach customers throughout the world.

Global marketing refers to marketing activities by companies that emphasize the following:

1) Reduction of cost inefficiencies and duplication of efforts among their national and regional subsidiaries
2) Opportunities for the transfer of products, brands, and other ideas across subsidiaries
3) Emergence of global customers
4) Improved linkages among national marketing infrastructures leading to the development of a global marketing infrastructure.

Importance of Global Marketing

Global marketing is important for businesses because it grants access to wider profit margins, huge demographic audiences and a better quality of life for consumers worldwide. Businesses that use global marketing to reach international audiences experience massive potential for prosperous expansion. Companies that take advantage of global marketing excel because consumers all over the planet regularly buy products at local retailers that are imported from other countries.

According to Forbes Magazine, the importance of global marketing has increased over the past five years. Not only do businesses aid themselves with global marketing, but they are doing a good service to people of the world. If people are unaware that a product exists to solve a problem, then they do not seek it. Global marketing raises consumer awareness of the options available and people everywhere benefit from access to innovative products.

An international business is more likely to experience exponential growth than a domestic business. Companies that market in a single nation operate within business barriers, but global marketing may lead to incredible success in many corners of the world. Companies are able to achieve great success by satisfying both local and global demand. The power of global marketing allows them to surpass competitors that confine themselves to domestic markets. Global marketing is a necessary feature of companies that desire to move beyond traditional borders.

Pros and Cons of Global Marketing

Pros of Global Marketing

(1) Can reach more customers.

It's a simple practice of supply and demand. If marketers are able to connect with customers globally instead of locally, then they are able to reach more people. As long as they have some level of demand for what they have, global marketing can allow them to target communities anywhere in the world so that they can make a sell.

(2) It can be the inspiration of new ideas.

When marketers make a push for global marketing, they are exposing themselves to new ideas because they are involved in new cultures. This can inspire innovation that can take their business to new levels while they're able to reach out with their existing portfolio to generate revenues.

(3) It increases the visibility of brand.

Global marketing is all about branding. When marketers are able to reach new markets with their brand, then their visibility increases along with it. This makes it a lot easier to take advantage of future opportunities because they have established a cornerstone within global markets. Each new campaign makes it easier to expand upon these opportunities as well.

(4) There's the potential for higher revenues.

If you have a 2% conversion rate and an average sale of $10, then you'll get two customers out of every 100 prospects with revenues of $20. If you target local customers and reach 1,000 people, that's potential revenues of $200. If you can target global customers at the level of 1 million people… let's just say the revenue math gets a whole lot better, doesn't it?

(5) Believe it or not, global marketing reduces competition.

Customers want the best possible product with the best value proposition from the brand with the most expertise. These three factors will trump local loyalty and transfer the customer to business. If the local business can match just one of those three factors, their brand could lose out to local business, so clear communication within global marketing strategy is absolutely essential for ongoing success.

(6) Can create new relationships that make the process easy to complete.

There are people with local experience around the world which can help the business be able to target specific demographics with ease. Video calling from Skype or Face Time, Instant Messaging, e-mail services, and other communication platforms, one can work with delegates from around the world instantly to move in real-time with potential customers so that the global marketing process becomes quite simple.

(7) It offers greater stability to a business.

Trends in every industry are constantly evolving. What was popular 5 years ago might not be popular today, but every local market is unique. Today's treasure in North America might be tomorrow's treasure in Asia, allowing one to create new products for the evolving market while maintaining the value proposition of the older product for the new market.

Cons of Global Marketing

(1) It can be difficult to determine if there is an available market.

Different cultures and local societies have different needs which need to be met. Although many products perform well globally if they are able to perform well locally, that isn't always the case for niche products.

(2) There will always be risk.

The costs of marketing globally are dramatically reduced from what they once were, but they still exist. There is also a time investment involved with marketing that keeps getting larger as one can target more potential customers. The risk here is that one can make these time and money investments and wind up not receiving anything in return.

(3) There may be different laws and standards which need to be met.

Different countries have different product or service requirements that businesses must meet in order to finalize a sale. Some markets can run up against some very stiff regulations that all but prevent an international business presence. Without due diligence being performed by a business owner before attempting global marketing, unintentionally violating these laws or regulations could bring potentially severe consequences.

(4) It can create numerous barriers to entry.

From cultural customs to language differences, there are a number of barriers to entry that must be addressed when creating a global marketing campaign. Programs like Google Translate are helping to reduce the number of barriers which exist, but there will always be obstacles standing in the way, especially for small-to-medium-sized businesses.

(5) International politics and market conditions can eliminate profits.

Political changes and changing market conditions can cause an immediate elimination of profits, especially for small businesses that are not well diversified. Even something as simple as a strengthening of a currency can make it difficult for a global marketing effort to succeed.

(6) It creates a need for international product delivery.

When a business goes global, then it creates a need for international shipping structures. Although one can mail virtually anything to anyone in the world today, there are taxes and tariffs which must be considered. These may apply to the business or the business customer. There are also customs delays, payment guarantees, and other processes that can break down and cause a delay in delivery, canceled orders, and lost revenues.

(7) There will still be competition in the market.

One might have the best product in the world and be effective with a global marketing strategy, but eliminating local competition doesn't mean they will eliminate international competition.

TELEMARKETING

Telemarketing is the process of using the telephone to generate leads, make sales, promote products or services, raise money for charity or gather marketing information. It means contacting customers and potential customers by telephone, but can include using fax or the Internet. Direct mail and face-to-face meetings are not part of telemarketing. With new technology, the term also includes videoconferencing calls, which in the vast majority of cases occurs with existing customers. The two main categories of telemarketing are business-to-consumer (B2C) and business-to-business (B2B).

Telemarketing can be a particularly valuable tool for small businesses, in that it saves time and money as compared with personal selling, but offers many of the same benefits in terms of direct contact with the customers.

Political parties use telemarketing during their election campaigns when carrying out polls to determine people's voting preferences.

Definition:

Telemarketing is the act of selling, soliciting, or promoting a product or service over the telephone; the telephone is the most cost-efficient, flexible, and statistically accountable medium available. At the same time, the telephone is still very intimate and personal.

Types of Telemarketing

Telemarketing can be either inbound or outbound in scope.

(1) Inbound Telemarketing:

It consists of handling incoming telephone calls—often generated by broadcast advertising, direct mail, or catalogues—and taking orders for a wide range of products. The representatives working in this type of telemarketing programme normally do not need as much training as the outbound representatives.

(2) Outbound Telemarketing:

It can be aimed directly at the end consumer; for example, a home repair business may call people to search for prospects and customers. Representatives working on this side of the industry generally require more training and product knowledge, as more actual selling is involved in comparison to the inbound operations.

Advantages of Telemarketing

1) **Human interaction:** One of the advantages telemarketing has over other direct marketing methods is that it involves human interaction.

2) **Small businesses:** Telemarketing can be a particularly valuable tool for small businesses, in that it saves time and money as compared to personal selling, but offers many of the same benefits in terms of direct contact with customers.

3) **Customer service:** Building a loyal client base is a fundamental factor in establishing a long- term business success and increasing the value of the company. Telemarketing customer services can gain repeat orders and increase the penetration of the customer base. Telemarketing has the advantages of delivering excellent customer service.

4) **Reduces cost:** As the costs of field sales continue to escalate, businesses are using telemarketing as a way to reduce the cost of selling. It is also easier to communicate with customers. Most of the marketing efforts are directed towards select markets, so the cost per person contacted is less.

5) **Flexibility:** It is the most flexible form of direct marketing. It helps in knowing and understanding what customers want, and are prepared to buy. Survey can be conducted with the advantages of telemarketing, knowing what customers are looking for, the product or service, the brand, etc., one can constantly update the client data base.

6) **Response measurement:** Response measurement is possible by knowing the effectiveness of advertising. The results can be compared with the ones previously established, and the future plans can be based on such results.

Disadvantages of Telemarketing

1) An increasing number of people have become averse to telemarketing.
2) No visual contact with the customer is possible.
3) More people are using technology to screen out unwanted callers, particularly telemarketers.
4) Government is implementing tougher measures to curb unscrupulous telemarketers.
5) If hiring an outside firm to do telemarketing, there is lesser control in the process, given that the people doing the calls are not your employees.
6) A telephone conversation has very short memory.
7) Pre-purchase inspection of goods not possible.
8) It can be extremely expensive, particularly if telemarketing is outsourced to an outside firm.
9) Training staff can be time-consuming and costly.

DIGITAL MARKETING

Digital Marketing refers to the promotion of products or brands via one or more forms of electronic media. For example, advertising mediums that might be used as part of the digital marketing strategy of a business could include promotional efforts made via the Internet, social media, mobile phones and electronic billboards, as well as via digital and television and radio channels.

Benefits of Digital Marketing

Digital marketing benefits businesses of all sizes by giving access to the mass market at an affordable price. Unlike TV or print advertising, it allows truly personalized marketing. The main advantage of digital marketing is that a targeted audience can be reached in a cost-effective and measurable way. Digital marketing advantages include increasing brand loyalty and driving online sales. The benefits of digital marketing include:

Global reach - a website allows finding new markets and trading globally for only a small investment.

Lower cost - a properly planned and effectively targeted digital marketing campaign can reach the right customers at a much lower cost than traditional marketing methods.

Trackable, measurable results - measuring online marketing with web analytics and other online metric tools makes it easier to establish how effective the campaign has been. One can obtain detailed information about how customers use their website or respond to their advertising. Web analytics can be set up to show exactly how much money one can make from each digital tactic.

Personalization - If customer database is linked to the website, then whenever someone visits the site, they can greet them with targeted offers. The more they buy, the more can refine their customer profile and market effectively to them.

Openness - by getting involved with social media and managing it carefully, one can build customer loyalty and create a reputation for being easy to engage with.

Social currency - digital marketing lets the marketer to create engaging campaigns using different types of rich media content. On the internet these campaigns can gain social currency - being passed from user to user and becoming viral.

Improved conversion rates - if the marketer has a website, then their customers are only ever a few clicks away from completing a purchase. Unlike other media which require people to get up and make a phone call, or go to a shop, digital marketing can be seamless and immediate.

Some other advantages of using Digital Marketing are:

- Digital Marketing helps the business owners to target a specific group of customers. In fact, with the help of targeted email, they can address people with different taste and preference.

- The advertising is always direct. Therefore, it helps to build a huge awareness among people about a brand or service.
- Presently, with the help of online retailer store, it is easy to grab the product just at one tap. The companies are able to expand their businesses through the online retailers as well. 24 x 7 working business model to work.

Disadvantages of Digital Marketing

Digital Marketing works as an expansion strategy for the working of a business. Sometimes this also faces various kinds of problems. Below are some of the known disadvantages of Digital marketing.

- Digital Marketing is entirely based on the Internet. Therefore, it really hard to create a marketing strategy in the early phases of the campaigning. Above all, building the right brand image on the internet is the hardest thing for the company.
- Not everything can be sold through online portals. Digital marketing can only benefit who are selling consumer goods. Can't really sell much industrial goods and medicinal goods.
- Digital marketing has huge competition. The potential customers always have the alternative choices for the products as well. In fact, every time they search for a product they get other recommendations as well. They can simply switch to the other party if they are providing better options or prices.

E-MARKETING

E-Marketing is referred to those strategies and techniques which utilized online ways to reach target customers. There are millions of Internet users that daily access different websites using a variety of tools like computers, laptops, tablet and smart or android phone devices, and the number of internet users are increasing very rapidly.

Definition

E-Commerce describes the exploitation of electronic means and platforms to conduct company business. E-Marketing (also referred to as web marketing or internet marketing) uses electronic communication technologies including the Internet, mobile phones and digital televisions to accomplish marketing objectives. - McDonald and Wilson

Different Types and Methods of e-Marketing

E-marketing is a type of marketing which is completed through means of modern technology such as the Internet and mobile. The importance of e-marketing has increased during the last period as a result of increasing the number of Internet users. There are many e-marketing methods, and it's preferable to know all types and methods of e-marketing and choose the right kind that will achieve success to marketing campaign.

(1) E-mail marketing

Marketing through e-mail is one of the first methods of e-marketing. E-mail marketing includes marketing a product or service to a database through targeting a certain segment of customers via e-mails. E-mail marketing is considered one of the best e-marketing methods because of its low cost, targeting the correct category, simplicity of use and increasing the return of investment from using it.

(2) Search engine optimization (SEO)

Search engine optimization is considered the art of increasing the appearance of a website in the first results of search engines such as Google search engine. This is done by targeting keywords in the website to appear in search engines in the top results. The main advantages of creating search engines SEO include:

- Low cost compared to paid ads, such as Google Adwords.
- Increase the number of visitors and followers to a site for free.
- Achieve a return on investment better than paid advertising.
- User will be familiar with new products through keywords that customers are looking for.
- Will be a source of confidence for people who are looking for a solution.

(3) Paid advertising

Paid ads are ads appear in search engines, and they are one of the best types of e-marketing. They appear beside or above the search results. Paid ads are depend on the keywords that used to help the ad appears in the search engines.

(4) Social media channels

Social media is a type of communication with customers directly in order to highlight the value of the company's products and services, increase the company's fame and spread through several social media channels such as Facebook, Twitter, Google Plus, LinkedIn, YouTube and Instagram. The main advantages of social networking sites are:

- Increased knowledge and reputation of a brand through social media channels and as a result the sales will increase.
- Increase customer loyalty for a brand by interaction with them using social networking channels.
- Targeting a certain category efficiently and know the needs of the customers.
- Find followers to the page and increase their number.
- Increase the number of visitors to the website and increase the ranking in the search engines by directing followers on social media channels to the website indirectly.

Advantages And Disadvantages of E-Marketing

Advantage of E-Marketing

1) In any business organization, advertisement cost constitutes a major expense in the operations of the business organization. However, Internet marketing has promised to significantly reduce the cost of advertisement. For example accumulating email addresses and sending newsletters through the Internet is relatively cheaper compared to traditional marketing strategies.
2) Due to the popularity of the Internet in the modern world, almost all organizations have a website. Making good use of the website can significantly reduce the cost of advertisement.
3) The ability of the organization to track the rate of return on investment. For example, click-through feedbacks as well as responses to emails from customers enable the organization to rate the effectiveness of their marketing strategies.
4) The instant delivery of the message enables organizations to make their marketing campaigns faster and facilitates immediate responses or communications between the customer care department and the customers.
5) It enables an organization to personalize messages or more effectively select the targeted clientele. For example, different electronic marketing strategies can be employed for the youths, professionals and other categories of customers.
6) It can easily and effectively be integrated with the traditional marketing strategies. For example, a brief advertisement on the print media can guide a potential customer to the company’s website for more detailed information on the product.
7) Business will be ―open‖ 24 hours a day 365 days a year.

Disadvantages of E-Marketing

1) Electronic marketing is limited by the ability of the consumer to access and use Internet services. Although there is an increased popularity of Internet services in the modern world, a large number of consumers are unable to use or have no access to Internet services.
2) It is important to note that spam filters that have become very essential to majority of the users are a major limitation to the effectiveness of e-marketing. There are concerns over the high number of commercial messages being filtered because the spam filters consider them illegitimate.
3) It has intensified competition which is a major barrier to new entrants in the global market.
4) The lack of consumer confidence.
5) Limitation of languages, cultures, business trends, currencies, politics and economics.

GREEN MARKETING

Green marketing is the marketing of environmentally friendly products and services. It is becoming more popular as more people become concerned with environmental issues and decide that they want to spend their money in a way that is kinder to the planet.

Green marketing can involve a number of different things, such as creating an eco-friendly product, using eco-friendly packaging, adopting sustainable business practices, or focusing marketing efforts on messages that communicate a product's green benefits.

Basically, green marketing concerns with three aspects:

1) Promotion of production and consummation of pure/quality products,
2) Fair and just dealing with customers and society, and
3) Protection of ecological environment.

Green Marketing's Objectives

Green marketing is important for a number of reasons, from eliminating wastefulness to educating consumers about how a company is maintaining eco-friendly measures. Here are some other objectives to consider when thinking about green marketing.

1) **Avoiding waste:** Whether it's creating biodegradable product packaging (meaning it can be broken down by biological means), cutting down on water consumption, or reducing the amount of trash that goes into landfills, green marketing is just as concerned with avoiding waste as putting forward an eco-friendly face to the public.
2) **Reinventing products:** Products themselves can be modified to lessen the impact on the environment. For example, Method sources its ingredients from many plant-derived ingredients, which means it's safer for humans, not toxic to family pets that might accidentally ingest it; and more environmentally-friendly by being water-soluble and dispersing safely into the environment.
3) **Making green while being green:** Companies that promote green products want to not only be good stewards of planet Earth, but make a profit while doing so. Green marketing allows businesses to capitalize on the subset of the population willing to pay a little more to lessen their footprint on the environment and protect the atmosphere.
4) **Changing processes:** Consumers aren't the only ones that need to be concerned with environmental impact. Green marketing also encourages businesses to properly utilize resources such as water consumption and electricity. Changing processes also means looking for renewable materials, using alternative energy sources and finding ways to deliver products in a more fuel-efficient manner.
5) **Creating eco-friendly messaging:** Green marketing's biggest "marketing" accomplishment might be in messaging. Green marketing works to help consumers understand a product's green benefits and a company's commitment to the environment. It's also an important avenue in which to educate people about sustainability and the environment.

Evolution of Green Marketing:

There are three phase in the evolution of green marketing:

- Ecological green marketing.
- Environmental green marketing.
- Sustainable green marketing.

Reasons For Green Marketing:

- Opportunities available and competitive advantage.
- Corporate social responsibility on the part of companies.
- Government regulations.
- Competition with other responsible companies.
- Goodwill of the company.
- Environment conscious consumers.
- For conserving scarce natural resources.

Marketing Strategies

The marketing strategies for green marketing include the following points:

1) Marketing audit (including internal and external situation analysis).
2) Develop a marketing plan outlining strategies with regard to the four P's of marketing.
3) Implementation of the marketing strategies.
4) Proper review of results.

Impacts or Importance of Green Marketing:

Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

Impacts of green marketing:

1) People are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.
2) Reducing use of plastics and plastic-based products.
3) Increased consumption of herbal products instead of processed products.
4) Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.
5) Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.
6) Worldwide efforts to recycle wastes of consumer and industrial products.

7) Increased use of herbal medicines, natural therapy, and Yoga.

8) Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and seas from pollutions.

9) Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organizations of several countries have formulated provisions for protecting ecological balance.

10) More emphasis on social and environmental accountability of producers.

11) Imposing strict norms for pollution control. Consideration of pollution control efforts and eco-technology in awarding IS), ISO 9000, or ISO 14000 certificates and other awards.

12) Declaration of 5^{th} June as the World Environment Day.

13) Strict legal provisions for restricting duplication or adulteration.

14) Establishing several national and international agencies to monitor efforts and activities of business firms in relation pollution control and production of eco-friendly products.

Advantages of Green Marketing:

Companies that develop new and improved products, and services with environment inputs in mind give themselves access to new markets, increase their profit sustainability and enjoy a competitive advantage over the companies that are not concerned for the environment.

Some of the advantages of green marketing are as follows:

- It ensures sustained long-term growth along with profitability.
- It saves money in the long run, although initial cost is more.
- It helps the companies to market their products and services keeping the environment aspects in mind. It helps in accessing the new markets and enjoying competitive advantage.
- Most of the employees also feel proud and responsible to be working for an environmentally responsible company.
- It promotes corporate social responsibility.

Challenges of Green Marketing:

- Green products require renewable and recyclable material, which is costly.
- Problems of deceptive advertising and false claims.
- Requires a technology, which requires huge investments in research and development.
- Majority of the people are not aware of green products and their uses.
- Majority of the consumers are not willing to pay a premium for green products.
- Educating customers about the advantages of green marketing.

UNIT - 7

Introduction to Marketing Analytics

7.1 INTRODUCTION TO MARKETING ANALYTICS:

In the ever-evolving landscape of business, the role of data and analytics has become increasingly prominent, shaping the way organizations understand, strategize, and execute their marketing efforts. Marketing Analytics, at its core, represents the fusion of marketing and data science, leveraging quantitative methods to derive insights, enhance decision-making processes, and optimize marketing strategies. This expansive field encompasses a range of techniques, tools, and methodologies aimed at extracting meaningful patterns and trends from vast datasets, with the ultimate goal of maximizing the effectiveness and efficiency of marketing initiatives.

7.2 EVOLUTION OF MARKETING ANALYTICS:

The journey of Marketing Analytics is intricately linked to the broader evolution of marketing itself. Traditionally, marketing decisions were often guided by intuition, experience, and limited data. However, as technology advanced and businesses began accumulating massive amounts of data, the need for a more analytical and data-driven approach to marketing became evident. The advent of the digital age, marked by the proliferation of the internet, social media, and online transactions, significantly accelerated this transformation.

The early 2000s witnessed the emergence of web analytics as a precursor to marketing analytics. Web analytics focused on tracking and analyzing website data to understand user behavior and optimize online experiences. This marked the initial steps toward data-driven decision-making in marketing. As the digital landscape continued to evolve, the scope of analytics expanded beyond web-centric metrics to encompass a comprehensive view of customer interactions across various touchpoints.

7.3 DEFINITION AND SCOPE OF MARKETING ANALYTICS:

Marketing Analytics is a multifaceted discipline that involves the use of statistical methods, predictive modeling, and other analytical techniques to interpret data, extract actionable insights, and inform marketing strategies. At its essence, it seeks to answer crucial questions such as who the customers are, what they want, how they behave, and how to effectively reach and engage with them.

The scope of Marketing Analytics spans a wide array of activities within the marketing domain. From customer segmentation and targeting to measuring the effectiveness of marketing campaigns, understanding consumer sentiment, and optimizing pricing strategies, marketing analytics provides a comprehensive toolkit for businesses to enhance their decision-making processes. It involves the systematic analysis of both historical and real-time data to uncover patterns, trends, and correlations that can drive informed marketing decisions.

7.4 IMPORTANCE OF MARKETING ANALYTICS:

The importance of Marketing Analytics in the contemporary business landscape cannot be overstated. In an era characterized by information overload and heightened competition, businesses are under constant pressure to make strategic decisions that yield measurable results. Marketing Analytics serves as the linchpin in this process, offering insights that empower organizations to:

Understand Customer Behavior: By analyzing customer data, businesses gain a deeper understanding of consumer behavior, preferences, and purchase patterns. This knowledge is invaluable in tailoring marketing strategies to meet customer expectations.

Optimize Marketing ROI: Marketing budgets are finite, and organizations seek to maximize their return on investment (ROI). Marketing Analytics enables the measurement of the effectiveness of various marketing channels and campaigns, allowing for data-driven allocation of resources.

Enhance Customer Segmentation: Through advanced segmentation techniques, businesses can group customers based on shared characteristics, allowing for more personalized and targeted marketing efforts. This not only improves customer satisfaction but also boosts the efficiency of marketing spend.

Improve Campaign Performance: By analyzing historical campaign data, businesses can identify what works and what doesn't. This insight enables the refinement of marketing strategies, creative elements, and messaging to enhance future campaign performance.

Forecast Trends and Outcomes: Predictive analytics, a subset of marketing analytics, empowers businesses to forecast future trends and outcomes. This capability is instrumental in anticipating market shifts, consumer preferences, and potential challenges.

Optimize Pricing Strategies: Marketing Analytics helps businesses determine optimal pricing strategies by considering factors such as consumer demand, competitive pricing, and perceived value. This ensures that prices align with market dynamics and customer expectations.

Real-Time Decision Making: In the dynamic landscape of modern business, real-time decision-making is crucial. Marketing Analytics provides the tools and technologies necessary to process and analyze data in real-time, enabling swift and informed decision-making.

Mitigate Risks: By identifying and analyzing potential risks and challenges, businesses can proactively address issues before they escalate. Marketing Analytics serves as a risk mitigation tool, helping organizations navigate uncertainties in the market.

Enhance Customer Experience: Through the analysis of customer touchpoints and feedback, Marketing Analytics contributes to the enhancement of the overall customer experience. This involves identifying pain points, addressing customer concerns, and delivering more personalized interactions.

Drive Innovation: Marketing Analytics fosters a culture of innovation by providing insights that challenge the status quo. Businesses can experiment with new ideas, products, and marketing strategies based on data-driven evidence rather than relying solely on intuition.

7.5 CHALLENGES AND ISSUES IN SERVICES MARKETING:

While the benefits of Marketing Analytics are profound, businesses also face challenges and issues in implementing and deriving value from these practices. Some of the key challenges include:

Data Quality and Integration: The quality of data directly impacts the accuracy and reliability of analytics insights. Businesses often grapple with fragmented data sources and the challenge of integrating diverse datasets for a holistic view.

Talent Shortage: There is a growing demand for skilled professionals with expertise in data analytics, statistics, and marketing. The shortage of qualified talent poses a significant hurdle for organizations looking to build robust analytics capabilities.

Technological Complexity: The rapid evolution of analytics technologies introduces complexity. Businesses may struggle with selecting and implementing the right tools, platforms, and methodologies to suit their specific needs.

Privacy Concerns: The collection and analysis of customer data raise privacy concerns. Businesses must navigate the delicate balance between leveraging data for insights and respecting customer privacy to maintain trust.

Resistance to Change:

Traditional business models and decision-making processes may resist the shift toward data-driven practices. Resistance to change within organizational culture can impede the successful adoption of Marketing Analytics.

Lack of Standardization: The lack of standardized metrics and methodologies in marketing analytics poses challenges in benchmarking and comparing performance across industries. Standardization efforts are essential for meaningful industry-wide comparisons.

Overemphasis on Short-Term Metrics: The pressure to deliver immediate results may lead businesses to focus excessively on short-term metrics, overlooking the long-term strategic value that marketing analytics can provide.

Balancing Art and Science: While analytics provides quantitative insights, marketing is also an art that involves creativity and intuition. Achieving the right balance between data-driven decision-making and creative marketing strategies is an ongoing challenge.

Services Marketing Mix: The application of Marketing Analytics extends across various components of the marketing mix, commonly known as the 7Ps - Product, Price, Place, Promotion, People, Process, and Physical Evidence. In the context of services marketing, additional elements such as People, Process, and Physical Evidence play a crucial role, emphasizing the intangible and experiential nature of services.

Product: Marketing Analytics contributes to product development by analyzing customer feedback, preferences, and market trends. Insights from analytics help in refining existing products or creating new offerings that align with customer needs.

Price: Determining the optimal pricing strategy involves analyzing various factors such as customer behavior, competitor pricing, and market demand. Marketing Analytics aids in price optimization, ensuring that prices reflect perceived value and market dynamics.

Place: Distribution channels and service delivery locations are critical components of the place element. Marketing Analytics helps businesses identify the most effective channels, optimize logistics, and enhance the overall accessibility of services.

Promotion: Analytics is instrumental in measuring the effectiveness of promotional campaigns. By analyzing key performance indicators (KPIs) such as conversion rates, click-through rates, and customer engagement, businesses can refine and tailor promotional strategies.

People: In services marketing, the role of people, including employees and customer service representatives, is paramount. Marketing Analytics aids in assessing employee performance, understanding customer interactions, and optimizing the human element of service delivery.

Process: The processes involved in service delivery impact customer satisfaction. Marketing Analytics identifies bottlenecks, inefficiencies, and areas for improvement in service processes, contributing to a seamless and positive customer experience.

Physical Evidence: While services are intangible, physical evidence such as branding, facilities, and tangible cues influence customer perceptions. Marketing Analytics helps businesses assess the impact of physical evidence on customer satisfaction and brand perception.

7.6 SERVICE BLUEPRINTING:

Service Blueprinting is a visual tool used in Marketing Analytics to map and analyze the end-to-end process of service delivery. It provides a comprehensive view of the customer journey, highlighting touchpoints, interactions, and potential pain points. Service Blueprinting is particularly valuable in services marketing, where the customer experience is a pivotal factor.

Elements of Service Blueprinting:

The service blueprint typically consists of various elements, including customer actions, front-stage activities (visible to customers), back-stage activities (performed behind the scenes), support processes, and physical evidence.

Visual Representation: Service Blueprinting visually represents the entire service process, allowing businesses to identify areas for improvement, streamline processes, and enhance the overall customer experience.

Customer Journey Mapping: By mapping the customer journey, businesses gain insights into customer touchpoints, emotions, and interactions at each stage of the service delivery process. This information is invaluable for tailoring marketing strategies to enhance customer satisfaction.

Identifying Pain Points: Service Blueprinting helps in identifying potential pain points or areas of friction in the customer journey. Addressing these pain points is essential for improving customer experience and loyalty.

Cross-Functional Collaboration: The collaborative nature of Service Blueprinting encourages cross-functional collaboration within organizations. It involves stakeholders from various departments, fostering a holistic understanding of the service delivery process.

7.7 GAP MODEL OF SERVICE QUALITY:

The GAP Model of Service Quality, a seminal concept in services marketing, identifies the gaps that may exist between customer expectations and perceptions of service delivery. These gaps, when addressed through Marketing Analytics, offer opportunities for businesses to enhance service quality and customer satisfaction.

GAP 1: Knowledge Gap - Understanding Customer Expectations: Marketing Analytics helps bridge the knowledge gap by gathering and analyzing customer feedback, preferences, and expectations. Surveys, social media listening, and customer interactions contribute to a better understanding of customer needs.

GAP 2: Policy Gap - Aligning Service Design and Delivery: Analyzing data on service design, policies, and actual delivery helps identify discrepancies. Marketing Analytics facilitates the alignment of service design with customer expectations, closing the policy gap.

GAP 3: Delivery Gap - Ensuring Consistent Service Delivery: Monitoring and analyzing key performance indicators (KPIs) related to service delivery enable businesses to identify and rectify deviations from the intended service standards, closing the delivery gap.

GAP 4: Communication Gap - Managing Customer Expectations: Marketing Analytics aids in assessing the effectiveness of communication strategies. By aligning marketing messages with actual service delivery, businesses can bridge the communication gap and ensure consistency in customer expectations.

GAP 5: Perception Gap - Closing the Gap Between Customer Expectations and Perceptions:
Analyzing customer perceptions and comparing them to expectations helps identify the perception gap. Marketing Analytics enables businesses to implement strategies that align customer perceptions with their expectations, closing GAP 5.

Measuring Service Quality - SERVQUAL:

SERVQUAL is a widely used framework for assessing and measuring service quality. It comprises five dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Marketing Analytics plays a crucial role in implementing SERVQUAL by quantifying customer feedback and evaluating service quality against these dimensions.

Tangibles: Marketing Analytics assesses tangible aspects of service quality, such as physical facilities, equipment, and the appearance of personnel. Data on customer perceptions and feedback help gauge the impact of tangibles on service quality.

Reliability: Through data analysis, Marketing Analytics measures the reliability of service delivery. Key performance indicators (KPIs) related to service consistency, accuracy, and dependability contribute to evaluating reliability.

Responsiveness: Customer responsiveness is quantified through metrics such as response times and resolution efficiency. Marketing Analytics identifies areas for improvement, ensuring that businesses promptly address customer needs.

Assurance: Assurance relates to the competence, courtesy, credibility, and security conveyed by service providers. Marketing Analytics evaluates customer feedback and perceptions to measure the level of assurance provided by the service.

Empathy: The empathetic nature of service providers is assessed through customer interactions and feedback. Marketing Analytics helps businesses understand and enhance the empathetic aspects of service delivery.

7.8 Service Quality Function Development:

Service Quality Function Deployment (SQFD) is a methodology used in Marketing Analytics to align business processes with customer expectations. It translates customer requirements into actionable steps for various departments within an organization.

Customer Requirements: Marketing Analytics gathers and analyzes customer requirements through surveys, feedback, and behavioral data. Understanding customer expectations is foundational to the SQFD process.

Interdepartmental Collaboration:SQFD involves collaboration across different departments within an organization, including marketing, operations, and customer service. Marketing Analytics serves as a facilitator, providing data-driven insights for informed decision-making.

Prioritization of Customer Requirements: Through data analysis, Marketing Analytics aids in prioritizing customer requirements based on their impact on satisfaction and business goals. This prioritization guides the development of actionable strategies.

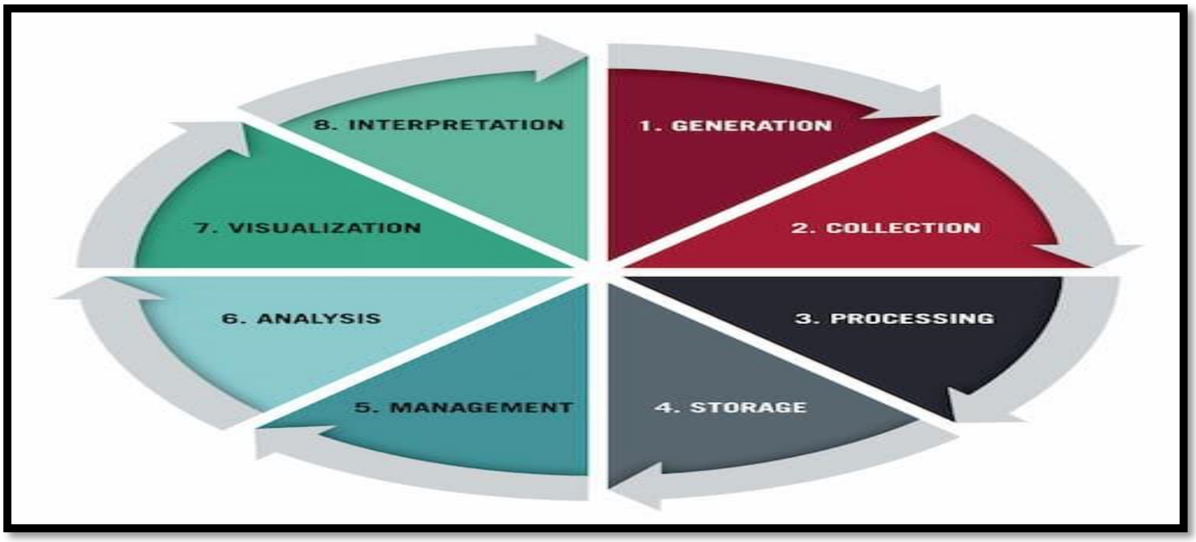
Development of Action Plans: Based on customer requirements and prioritization, Marketing Analytics contributes to the development of action plans. These plans outline specific steps for each department to enhance service quality.

Continuous Improvement: Marketing Analytics supports a culture of continuous improvement by providing ongoing insights into customer satisfaction, service performance, and the effectiveness of implemented action plans.

7.9 DATA COLLECTION AND INTEGRATION:

Data collection is the methodological process of gathering information about a specific subject. It’s crucial to ensure your data is complete during the collection phase and that it’s collected legally

and ethically. If not, your analysis won't be accurate and could have far-reaching consequences.
In general, there are three types of consumer data:
First-party data, which is collected directly from users by your organization
Second-party data, which is data shared by another organization about its customers (or its first-party data)
Third-party data, which is data that's been aggregated and rented or sold by organizations that don't have a connection to your company or users
Although there are use cases for second- and third-party data, first-party data (data you've collected yourself) is more valuable because you receive information about how your audience behaves, thinks, and feels—all from a trusted source.
Data can be qualitative (meaning contextual in nature) or quantitative (meaning numeric in nature). Many data collection methods apply to either type, but some are better suited to one over the other.
In the data life cycle, data collection is the second step. After data is generated, it must be collected to be of use to your team. After that, it can be processed, stored, managed, analyzed, and visualized to aid in your organization's decision-making.



7.10 DATA COLLECTION METHODS USED IN BUSINESS ANALYTICS

1. Surveys: **Surveys are physical or digital questionnaires that gather both qualitative and quantitative data from subjects. One situation in which you might conduct a survey is gathering attendee feedback after an event. This can provide a sense of what attendees enjoyed, what they wish was different, and areas in which you can improve or save money during your next event for a similar audience**.
While physical copies of surveys can be sent out to participants, online surveys present the opportunity for distribution at scale. They can also be inexpensive; running a survey can cost nothing if you use a free tool. If you wish to target a specific group of people, partnering with a market research firm to get the survey in front of that demographic may be worth the money.
Something to watch out for when crafting and running surveys is the effect of bias, including:
Collection bias: It can be easy to accidentally write survey questions with a biased lean. Watch out for this when creating questions to ensure your subjects answer honestly and aren't swayed by your wording.
Subject bias: Because your subjects know their responses will be read by you, their answers may be biased toward what seems socially acceptable. For this reason, consider pairing survey data with behavioral data from other collection methods to get the full picture.
2. Transactional Tracking: **Each time your customers make a purchase, tracking that data can allow you to make decisions about targeted marketing efforts and understand your customer base better. Often, e-commerce and point-of-sale platforms allow you to store data as soon as it's generated, making this a seamless data collection method that can pay off in the form of customer insights.**

3. Interviews and Focus Groups: **Interviews and focus groups consist of talking to subjects face-to-face about a specific topic or issue. Interviews tend to be one-on-one, and focus groups are typically made up of several people. You can use both to gather qualitative and quantitative data. Through interviews and focus groups, you can gather feedback from people in your target audience about new product features. Seeing them interact with your product in real-time and recording their reactions and responses to questions can provide valuable data about which product features to pursue.**

As is the case with surveys, these collection methods allow you to ask subjects anything you want about their opinions, motivations, and feelings regarding your product or brand. It also introduces the potential for bias. Aim to craft questions that don't lead them in one particular direction.

4. Observation: **Observing people interacting with your website or product can be useful for data collection because of the candor it offers. If your user experience is confusing or difficult, you can witness it in real-time.**

While less accessible than other data collection methods, observations enable you to see firsthand how users interact with your product or site. You can leverage the qualitative and quantitative data gleaned from this to make improvements and double down on points of success.

5. Online Tracking : **To gather behavioral data, you can implement pixels and cookies. These are both tools that track users' online behavior across websites and provide insight into what content they're interested in and typically engage with.**

You can also track users' behavior on your company's website, including which parts are of the highest interest, whether users are confused when using it, and how long they spend on product pages. This can enable you to improve the website's design and help users navigate to their destination. Inserting a pixel is often free and relatively easy to set up. Implementing cookies may come with a fee but could be worth it for the quality of data you'll receive. Once pixels and cookies are set, they gather data on their own and don't need much maintenance, if any.

6. Forms : **Online forms are beneficial for gathering qualitative data about users, specifically demographic data or contact information. They're relatively inexpensive and simple to set up, and you can use them to gate content or registrations, such as webinars and email newsletters. You can then use this data to contact people who may be interested in your product, build out demographic profiles of existing customers, and in remarketing efforts, such as email workflows and content recommendations.**

7. Social Media Monitoring: **Monitoring your company's social media channels for follower engagement is an accessible way to track data about your audience's interests and motivations. Many social media platforms have analytics built in, but there are also third-party social platforms that give more detailed, organized insights pulled from multiple channels.**

7.11 BENEFITS OF MARKETING ANALYTICS

Using data to bolster marketing decisions allows businesses to eliminate the guesswork or over-reliance on anecdotal evidence, and helps marketing teams make informed business decisions and improve customer relationship management. Here are four other benefits:

1. Get a complete view of all marketing activities: **Sometimes it can be hard to see the full picture across all marketing channels, such as paid digital ads, email, social media, and web. Data helps you track these components, understanding how they work independently and collectively.**

2. Gain a better understanding of your customers: **Data can provide actionable answers about your customer base, including who they are, what actions they commonly take, what their pain points tend to be, and more. Data can help you understand what improvements your team can make to improve their experience.**

3. Refine your marketing strategy : **Data tells you what works and why, so you can refine your marketing strategy in real time, replicating certain efforts because they're performing well and eliminating those that are under-delivering.**

4. Predict the success of future marketing campaigns : **With predictive scoring based on past marketing campaigns, data can often predict how customers will respond to future campaigns and overall advertising and marketing efforts.**

7.12 MARKETING MIX MODELING

It is an analytical approach used to quantify the impact of various marketing tactics on sales performance, profitability, and return on investment (ROI). It assists marketers in making data-driven decisions, optimizing their marketing mix, and allocating their budget across channels and tactics to achieve their desired goals.

Elements of a Market Mix Model (MMM Marketing)

Price refers to the amount consumers are expected to pay for a product or service. It is one of the most important variables in the marketing mix and can impact sales volume, market share, customer loyalty, profitability, etc. Companies need to consider their target customers when setting prices so they don't overprice and lose potential buyers.

Place refers to where products and services are sold. It includes physical locations like stores and online platforms that allow people to purchase goods remotely. Companies looking to maximize their reach and visibility among potential customers must understand traditional and digital distribution channels.

People refer to the individuals who interact with a brand, from customer service staff to sales representatives. Companies must ensure that their employees represent the company's values and know about the products and services they sell.

Product refers to the goods and services offered by a business. Companies need to understand what features customers want so they can create products or services that meet those needs. Good product design can be important in achieving a competitive advantage in the marketplace.

Process refers to how a product or service is delivered to customers. A well-designed process ensures that customers receive their orders quickly, accurately, and with minimal effort. Streamlining processes can also help save time and money for businesses.

Promotion involves communicating with customers about the products and services a company offers. It includes advertising, public relations, promotions, etc. Companies must understand their target audience and tailor their communication accordingly to get the most out of promotional campaigns.

7.13 MARKET MIX MODELLING VS MARKET ATTRIBUTIONS:

While MMM marketing and marketing attribution aims to measure marketing activities' effectiveness, their focus and methodology differ.

MMM models analyze the impact of marketing activities at a more macro level, considering how different channels and tactics work together to drive business outcomes. On the other hand, marketing attribution operates on a more granular level, assigning credit to specific customer touchpoints along the conversion path. Both approaches have their strengths, and a comprehensive approach to marketing measurement may involve using both MMM and attribution to derive actionable insights.

Feature	Marketing Mix Modeling	Marketing Attribution
Goal	To understand the overall impact of marketing on sales or other business goals	To understand how different marketing channels contribute to individual conversions
Dat	It uses historical marketing and sales data	It uses data from individual customer journeys, such as clickstream data, purchase history, and surveys
Methodology	Uses statistical modelling to estimate the impact of marketing on sales	Uses rules or olgorithms to assign credit to different marketing channels for each conversion
Complexity	More complex and time- consuming to implement	Less Complex and easier to implemnent
Cost	More Expensive	Less Expensive
Benefits	Provides a more holistic view of the impact of marketing	It can be inaccurate if data is not accurate or complete

Best use cases	Business with a large marketing budget and complex marketing mix	Business with a smaller marketing budget and a more focused marketing mix

7.14 PROCESS OF MARKETING MIX MODELLING:

Marketing mix modeling uses **multi-linear regression (MLR)** to determine the impact of different elements of a company's marketing plan on sales or other desired outcomes.

The model examines product placement, advertising campaigns, promotions, and pricing strategies over time. It provides insights into what activities have impacted past performance and which variables should be adjusted for future success.

MLR requires you to define the dependent and independent variables. The dependent variable is the outcome to be measured, like the volume of sales, revenue, or market share.

Gather data: Compile historical data about your marketing activities and associated costs like advertising spend, website visits, customer loyalty program memberships, and more. You will also want to collect sales data for the products or services being marketed to evaluate the effectiveness of each campaign or channel.

Select variables: Choose the marketing channels and tactics you want to analyze, along with relevant control variables like seasonality, competitor activity, and economic factors.

Develop the model: Create a mathematical model that considers all the variables. Using statistical techniques like linear regression, estimate the relationship between your marketing mix and sales performance.

Validate the model: Run different scenarios and test various hypotheses to determine the optimal mix of marketing channels for maximum return on investment (ROI). Look at both short-term and long-term effects and ROI in terms of customer acquisition costs or brand awareness. Use this information to inform future decisions and investments.

Optimize the marketing mix: Make adjustments based on the model's insights and track outcomes over time to optimize your marketing mix. It could include changing allocations between different channels or introducing a new type of marketing activity.

Measure success: Evaluate the results of your efforts and use this information to inform future strategies. Focus on key performance indicators (KPIs) such as sales growth, customer acquisition costs, revenue per customer, and lifetime value (LTV).

7.15 MARKETING MIX TECHNIQUES

Linear regression*:* **Linear Regression is the most common method, where marketing channels and tactics are modeled as independent variables, and sales performance is the dependent variable. It involves a series of mathematical calculations that will result in an equation that describes a line that best fits the data points.**

Time series analysis*:* ***The time-series analysis technique involves analyzing sales performance over time to explore trends, seasonality, and the relationship between marketing activities and sales. When analyzing time-series data, four components should be examined:***

Secular trend: A long-term pattern of slow or steady growth or decline that often occurs over a period of several years.

Seasonal variations: These occur annually, such as in the case of holiday sales.

Cyclical fluctuations: These are recurring patterns that tend to recur at regular intervals (generally measured in terms of years).

Irregular variations: These include unpredictable short-term changes that cannot be attributed to any other factor.

Multi-linear regression : The approach uses statistical models to identify the impact of marketing activities on desired outcomes. It involves collecting data from different sources and applying regression analysis to identify relationships between variables such as sales, cost, and media activity.

Multivariate techniques: Multivariate techniques are used in market mix modeling to uncover relationships between marketing activities and performance outcomes. It includes factor and principal components analysis that help identify underlying patterns and relationships among marketing variables.

Experimentation: MMM can also test different marketing strategies through experimentation with controlled campaigns. A/B testing is a popular method for this purpose, where two versions of an advertisement are tested against each other to determine which one performs better in terms of customer engagement or return on investment (ROI).

Conjoint analysis: The conjoint analysis technique evaluates how customers weigh various product attributes when purchasing. It involves asking survey respondents questions that allow them to make trade-offs between different products. The data can then be used to inform product decisions and marketing campaigns.

Customer Lifetime Value (CLV): CLV approach measures the total revenue a company will receive from a customer over their entire journey. It is useful for understanding customer behavior regarding loyalty, engagement, or response to marketing messages.

ADVANTAGES:

Data-driven decision-making: MMM helps businesses make more informed decisions based on quantitative evidence, reducing reliance on intuition or gut feelings.

Optimized marketing budgets: MMM allows marketers to better allocate their budgets across channels and tactics with the most significant impact.

Improved ROI: By investing in high-performing marketing activities, businesses can expect an improved return on their marketing investments.

Better execution of marketing campaigns: MMM helps marketers identify and prioritize the most effective marketing strategies and tactics, leading to more successful campaigns.

Increased customer lifetime value: By understanding customer behavior across channels, businesses can better target their campaigns and increase customer lifetime value (CLTV).

Enhanced targeting efforts: With a deeper understanding of how different groups respond to targeted messages, businesses can customize their messages for maximum impact.

Testing business scenario: MMM allows businesses to test and compare different business scenarios, enabling them to make more informed decisions in the long term.

Analyzing marketing effectiveness: With a holistic view of how their campaigns are performing, marketers can better understand what’s working and what is not, allowing them to adjust their strategies accordingly.

Improved customer experience: With access to detailed customer insights, businesses can tailor their offerings based on individual preferences, leading to higher satisfaction levels among customers.

7.16 LIMITATIONS

Data quality: Poor data quality or incomplete datasets can lead to inaccurate results.

Model complexity: As models become more complex, they require more resources and expertise to develop and maintain.

External factors: Since MMM relies on historical data, external changes or competitors’ actions may invalidate assumptions made in the model and reduce its accuracy.

Cost: Marketing mix modeling is relatively expensive to implement and maintain. It also requires dedicated staff and resources to develop, interpret, and act on the results.

Time lag: Due to its reliance on past data, MMM may not provide an accurate prediction of what the future holds. The longer the time lag between when a decision is made and when it is implemented, the less accurate the model will be.

Granularity: In order to provide more detailed insights, MMM models must often take into account multiple layers of granular data points, which can require advanced analytics capabilities that are cost-prohibitive for some organizations.

APPENDIX - A

REVIEW QUESTIONS

MULTIPLE CHOICE QUESTIONS

1. Prices are not uniform in__________.
   (a) Imperfect market (b) Spot market
   (c) Future market (d) Perfect market

2. Stock exchange is an example for__________.
   (a) Regulated market (b) Primary market
   (c) Terminal market (d) Retail market

3. " Find wants and fill them" is a theme described in__________.
   (a) Selling concept (b) Marketing concept
   (c) Product concept (d) Production concept

4. Segmentation of international market on the basis of monetary regulations is an example of _________.
   (a) Geographic location (b) Cultural factors
   (c) Economic factors (d) Political and legal factors

5. Targeting affluent customers with luxurious good is an example of____________.
   (a) Geographic segmentation (b) Income segmentation
   (c) Psychographic segmentation (d) Behavioral segmentation

6. Persons own living is interacting and acting pattern is classified as__________.
   (a) Life style (b) Personality and self concept
   (c) Social class (d) None of the above

7. The word market is derived from the_____________word.
   (a) Latin (b) French (c) American (d) London

8. What are the stages of evolution of marketing?
   (a) Production oriented (b) Sales oriented
   (c) Consumer oriented (d) All the above

9. Modern marketing starts and ends with_____________.
(a) Consumers (b) Producers (c) Society (d) Agents

10. Doing right in marketing is called___________.
(a) Marketing ethics (b) Consumer behavior
(c) Standardization (d) None of these

11. Market is based on____________.
(a) Product (b) Demand (c) Distance (d) All these

12. The purpose of marketing is_____________.
(a) To generate employment (b) To satisfy consumers
(c) To exploit resources (d) All

13. The process starts with market, goes onto focus the customers‟ needs, calls for coordinated marketing, laying emphasis on selling of satisfaction is called__________concept.
(a) Selling (b) Marketing (c) Market (d) None

14. Sales are the_____________part of business activities.
(a) Starting (b) Ending (c) Connecting (d) None

15. In marketing research primary data can be collected through____________.
(a) Observational method (b) Survey method
(c) Experimental method (d) All

16. Holistic Marketing does riot include_________marketing.
(a) Internal (b) Integrated (c) Performance (d) Functional

17. Modern marketing starts and ends with______.
(a) Product (b) Middlemen (c) Consumer (d) Producer

18. __________Approach undertakes the study of marketing on the basis of commodity.
(a) Institutional (b) Product (c) Functional (d) Legal

19. Which one of the following is the facilitating function of marketing_____________.
(a) Finance (b) Assembling (c) Selling (d) Transportation

20. When goods or services are used by ultimate consumer, are termed as___________.
(a) Raw materials (b) Semi finished goods
(c) Consumer goods (d) Industrial goods

21. _________Refers to carrying out task to achieve desired exchange with target markets.
(a) Marketing management (b) Economics
(c) General management (d) None of the above

22. Which of the following is marketing concept?
    (a) Production concept (b) selling concept
    (c) Both (d) None

23. Who of the following is called middlemen?
    (a) Merchant middlemen (b) Agents
    (c) Facilitation (d) All of the above

24. ___________Determine the length of channel.
    (a) Size of the market (b) Service requirement
    (c) Product variety (d) All of the above

25. _____________ is concerned with the collection of goods of the jamy type.
    (a) Assembling (b) Buying (c) Selling (d) Standardization

26. _____________are the person who buys things for their own satisfaction.
    (a) Consumer (b) buyer (c) middlemen (d) manufacturers

27. Social class group which earns through exceptional ability is best classified as_________.
    (a) Upper middle class (b) Working class
    (c) Lower upper class (d) Upper upper class

28. Jurisdiction of district for is Rupees_________.
    (a) Exceed 20 lakhs (b) exceed 50 lakhs
    (c) upto 20 lakhs (d) 20-50 lakhs

29. The following is not a consumer…
    (a) Insurance company (b) A license to run a phone
    (c) A lottery ticket holder (d) All the above

30. Which of the following does not fall under consumer rights?
    (a) Right to be informed (b) Right to choose
    (c) Right to seek government help (d) Right to represent the consumer‟s court

31. Give an example for seasonal production but uniform consumption.
    (a) Electric fans (b) Machine
    (c) Vegetables (d) Bus

32. ______________is one among the functio ns of exchange.
    (a) Storage (b) Selling (c) Finance (d) Risk bearing

33. The data which is put into meaningful use is called______________.

(a) Information (b) System (c) Structure (d) Strategy

34. Which of the following is the function of marketing?

(a) Storage (b) Transportation (c) Financing (d) All of these

35. AGMARK is a certification mark employed on____________products.

(a) Agricultural (b) Industrial (c) Jewellery (d) Urban

36. .Which of the following is the function performed by marketing?

(a) Financing (b) Transportation

(c) Market Information (d) All these

37. Which of the following is not a distinctive characteristic of services?

(a) Transparency (b) Intangibility

(c) Inseparability (d) Perishability

38. To remain dominant, a market leader looks for _________.

(a) Ways to expand total market demand (b) attempting to protect its current share

(c) Increasing its market share (d) All

39. Where supply increases demand is constant, that is called __________ stage.

(a) Introduction (b) Growth (c) Maturity (d) Decline

40. Price is equal to consumer____________.

(a) Demands (b) Expectations (c) Commands (d) Requirements

41. Skimming pricing refers to______________.

(a) High price (b) Low price

(c) Moderate price (d) Reasonable price

42. Which of the following is not the consumer promotion?

(a) In pach offer (b) Consumer contest

(c) Premium offer (d) Sales contest

43. _____________Objective as getting the right product to the right places at the right time for the least cost.

(a) Transportation (b) Physical distribution

(c) Retailer (d) Warehousing

44. Publicity is_________stimulation of demand for a product or a service.
    (a) Personal (b) Non- personal
    (c) Both personal and none personal (d) None.

45. Offering sample is associates with_________sales promotion.
    (a) Customer (b) Dealer (c) Middlemen (d) none.

46. Marketing system is designed to________want satisfying services, products.
    (a) Plan (b) Price (c) Promote & distribute (d) All of the above

47. What is the main focus of customer orientation?
    (a) Customer needs (b) Volume
    (c) Profit (d) None

48. Involving all the possible outlets that can be used to distribute the product is called_____.
    (a) Intensive Distribution (b) Selective Distribution
    (c) Exclusive Distribution (d) None

49. If the purchases are made from a large number of sources then it is called____________.
    (a) Diversified buying (b) Reciprocal buying
    (c) Concentrated buying (d) Conservation buying

50. _____________is the person who first suggest the need for a particular product.
    (a) Initiator (b) Influencer
    (c) Decider (d) Buyer

51. Which of the following does not fall under consumer rights?
    (a) Right to be informed (b) Right to choose
    (c) Right to seek government help (d) Right to represent the consumers‟ court

52. Cost plus pricing is also known as___________.
    (a) Discriminatory pricing (b) Pricing lining
    (c) Mark up pricing (d) Expected pricing

53. ____________refers to see the same product at two or more different prices.
    (a) Monopoly pricing (b) Dual pricing
    (c) Expected pricing (d) Zonal pricing

54. Direct channel is the_____________channel.
    (a) Shortest (b) Longest (c) Medium (d) All the above

55. Example of uncontrollable factors.

(a) Competitors behavior (b) Branding

(c) Personal selling (d) Price

56. Which of the following is the economic factor that influences the buyer behaviour?

(a) Hobby (b) Desire

(c) Disposable personal income (d) Devotion

57. Behavioral segmentation includes____________.

(a) Knowledge (b) Age (c) Family (d) None of these

58. Two factor theory of motivation was developed by___________.

(a) Maslow (b) Herzberg (c) Saxena (d) Kotler

59. Sigmund Freud stated___________factors shaping consumer behaviour.

(a) Psychological (b) Economic

(c) Physiological (d) Cultural

60. Population characteristics are stated by____________.

(a) Demography (b) Ergonomics

(c) Economics (d) Logic

61. Cognitive dissonance is associated with which stage of the consumer buying decision process?

(a) Need recognition (b) Information search

(c) Evaluation of alternative (d) None

62. The main object of marketing process is to deliver the goods to their ultimate consumer, through____________.

(a) Distributors (b) Agents (c) Retailers (d) Intermediaries

63. Advertising agency acts as a__________.

(a) Specialist (b) Agent (c) Consultant (d) All the three.

64. ___________deals with the proper and attractive physical arrangement for the presentation the message.

(a) Advertisement copy (b) Advertisement layout

(c) Advertisement media (d) None

65. Which one of the following is marketing concept?

(a) Selling concept (b) Managerial concept

(c) Communication concept (d) Management concept

66. Personal selling means______________.
    (a) Selling through advertisement (b) Selling through salesmen
    (c) Selling by offering gifts (d) Selling through internet

67. What is the objective of pricing?
    (a) To get ROI (b) To increase sales
    (c) To face competition (d) All of the above

68. Which factor influence pricing decisions?
    (a) Internal factors (b) External factors (c) Both (d) None

69.6________ is a continuous systematic and objective study of the total marketing efficiency of 9the firm.
.
    (a) Marketing cost analysis (b) Marketing audit
    (c) Credit control (d) None

70. What is the problem of agricultural marketing
    (a) Perishable in nature (b) Seasonal
    (c) Lack of storage (d) All of the above

71. There are ___________ stages in product life cycle.
    (a) 4 (b) 3 (c) 2 (d) 5

72. When advertising is made through news papers and magazines it is known as__________.
    (a) Indoor advertisement (b) Outdoor advertisement
    (c) Direct advertisement (d) Promotional advertisement

73. Cards, sales letter, folder are the forms relating to___________.
    (a) Indirect advertising (b) Direct advertising
    (c) Outdoor advertising (d) Film advertising

74. Marketing is a____________.
    (a) Social process (b) Economic process
    (c) Exchange process (d) Both A and B

75. The term market is derived from the Latin word____________.
    (a) Marcats (b) Marcut (c) Mercatus (d) Mercat

76. The strategies that a marketer can follow to increase the sales and profit are
    (a) Market penetration (b) Market development
    (c) Product development (d) All of these

77. Prestige pricing is adopted for___________.

(a) Luxury goods (b) Necessaries (c) Comforts (d) All the above

78. The strategy of fixing prices initially at a high price is called____________.

(a) Skimming pricing
(b) Penetration pricing
(c) Full cost pricing
(d) Marginal cost pricing

79. Traditional marketing mix involves_____________components

(a) 2 (b) 3 (c) 4 (d) 6

80. The strategy of fixing prices initially at a low level is called___________prices.

(a) Skimming
(b) Penetration
(c) Cost plus pricing
(d) Marginal cost pricing

81. Which of the following is the dealer oriented sales promotion technique?

(a) Buying allowance
(b) Promotional allowance
(c) Sales contest
(d) None

82. An inventory control, which one of the following factors does not affect the re- order level?

(a) Average daily usage
(b) Lead time
(c) Safety stock
(d) Holding cost

83. Which one of the following is not an element of promotion mix?

(a) Advertising
(b) Personal selling
(c) Distribution
(d) Sales promotion.

84. Sales promotion always has_____________perspective.

(a) Short term
(b) Medium term
(c) Long term
(d) Short- term and long- term.

85. Product planning denotes___________.

(a) Improving the existing product
(b) New product for a new customer
(c) Both (a) and (b)
(d)None

86. Resale price is fixed by______________.

(a) Minimum price below which the product cannot be sold.
(b) A maximum price below which the products cannot be sold
(c) A stipulated price from which no changes are allowed
(d) All the above

87. Regulated market is controlled by the state government through a____________.

    (a) Traders (b) market committee (c) Farmers (d) Local bodies

88. One of the characteristics of agriculture commodity is____________.

    (a) Durability (b) Homogenity (c) Perish ability (d) Intangibility

89. Under________the products will be offered a lower than the normal price.

    (a) Price discount (b) Personal selling

    (c) Both (d) None

90. Oral presentation in a conversation with one or more prospective purchase for the purpose of making sales is called______________.

    (a) Advertising (b) Personal selling

    (c) Sales promotion (d) None

91. What is the main objective of co-operative marketing?

    (a) Profiteering (b) Profit (c) Service of members (d) All of the above

92. Who is eliminated in the co operative marketing?

    (a) Middlemen (b) Manufacture

    (c) Both (d) None

93. Agriculture may be classified into__________.

    (a) 3 (b) 2 (c) 5 (d) 4

94. Consumer protection has been passed in the year______________.

    (a) 1986 (b) 1982 (c) 1984 (d) 1981

95. Perishable goods are available at any time in_____________.

    (a) Family market (b) local market (c) bullion market (d) regulated market

96. Caveat emptor means__________.

    (a) Buyer beware (b) seller beware (c) profit beware (d) loss beware

97. Standards and grade should be determined according to the_________of goods.

    (a) Nature (b) physical shape (c) name and capacity (d) all the above

98. The process of fixing the grades is known as__________.

    (a) Grading (b) standardizing (c) buying (d) selling

99. The consumer protection act was passed in the year___________.

    (a) 1986 (b) 1996 (c) 2006 (d) 1976

100. Place mix is replaced by___________.

(a) Demand mix (b) supply mix

(c) physical distribution (d) branding

101. Bureau of Indian Standards was set up in_________.

(a) 1986 (b) 1988 (c) 1992 (d) 1996

102. The COPRA has a_______tier structure.

(a) 2 (b) 3 (c) 4 (d) 5

103. The customer joining the queue and leaving it afterwards is defined as____________.

(a) Jockeying (b) Balking (c) Reneging (d) None

104. __________is non personal form of communication conduct through paid media under clear sponsorship.

(a) Publicity (b) Salesmanship (c) advertising (d) personal selling

105. The advertisement must be able to attract the attention of reader at a glance. It means ________.

(a) Attention value (b) Suggestive value

(c) Sentimental value (d) Conviction value

106. Cheap jacks are_________.

(a) Fixed shop retailers (b) Small scale retailers

(c) Itinerant retailers (d) None

107. _methods is necessary when the owner of outlets lack capacity and knowledgeof marketing.

(a) Symbiotic marketing (b) Franchise selling

(c) consignment selling (d) None

108. A commodity exchange_________.

(a) Deals with securities (b) Unorganized market

(c) An organized market (d) Money market

109. What are the elements of advertisement copy?

(a) Attention value (b) Suggestive value

(c) Conviction value (d) All of the above

110. Expand the term NAFED.
    (a) National Agricultural Federation
    (b) National agricultural co-operative marketing federation
    (c) National autonomous Federation
    (d) National autonomous agricultural federation

SHORT AND LONG QUESTIONS

1. Define marketing and bring out its importance.
2. What are the objectives of marketing?
3. Trace the evolution and development of marketing.
4. Define market and state the various classifications of markets.
5. "Marketing begins before production and ends after production" – Discuss.
6. Define and explain the significance of marketing. How does it differ from market?
7. Discuss clearly the modern concept of marketing.
8. Distinguish marketing and selling.
9. Distinguish among local markets, primary markets and regulated markets.
10. What are marketing functions?
11. Explain briefly the various functions of marketing.
12. Concentration, equalization and dispersion are the soul of marketing – discuss.
13. Bring out the role of marketing in the economic development of a country.
14. What are various methods of buying? Which method is most suitable?
15. Define buying. What are the sub–functions of buying? – Explain.
16. "Selling is the most important activity". Do you agree? Justify your position.
17. Define selling. What are the sub–functions of selling? – Explain.
18. What are the psychological factors that influence in consumer decision maker?
19. Define the concept of buying behaviour. Why is it desirable to study it in marketing?
20. What are different economic classes in India? Describe major characteristics of each class.
21. Critically examine the Consumer Protection Act 1986.
22. List out the needs for Consumer Protection in India.
23. Discuss the cause for growing consumerism.
24. Define consumerism.
25. State the consumers‟ right against exploitation.
26. Comment on the need of consumer protection in a free market economy.

27. Describe the importance of Indian rural market.
28. List out the key challenges of Indian Rural market.
29. What problems companies face in the rural markets?
30. Distinguish between rural markets and urban markets.
31. Evaluate the role, scope and importance of Marketing Information System.
32. Discuss the need for an orderly ongoing of Marketing Information System.
33. What are the characteristics of Marketing Information System?
34. "Marketing Information System has been called the life-blood of marketing. Comment on this statement.
35. What is the importance of Marketing Information System? Discuss.
36. State the essentials of a good Marketing Information System.
37. What are the benefits of Marketing Information System?
38. What is meant by a product?
39. Define product. What are the essential characteristics of a product?
40. What is meant by product line expansion?
41. What do you understand by product planning and development?
42. What is meant by product life cycle? Explain its concepts with examples.
43. What do you meant by new product development?
44. Explain briefly the steps to be followed in new product introduction.
45. Why new products fail?
46. What is a new product? How is it developed?
47. What do you understand by "Evaluation of the Ideas"?
48. Describe the factors influencing price determination.
49. Explain the various objectives of pricing.
50. Enumerate the various methods of pricing.
51. Briefly explain some of the pricing policies.
52. Enlighten the factors affecting pricing decisions.
53. What are the alternative pricing strategies available to the marketer who wants to introduce a new product in a highly competitive market?
54. What do you understand by Channels of Distribution? Explain the factors determining the choice of a suitable channel of distribution.
55. "One of the major assets of a firm is its Channel of Distribution" – Discuss.
56. Define a channel of distribution. Discuss the factors governing the choice of a particular channel.

57. Discuss various factors you would like to consider for selecting the channels of distribution for a consumer product which is sold all over India.
58. Discuss various approaches to the selection of channels of distribution which may be taken by manufacturing concerns.
59. What is sales promotion? What is its importance in marketing industrial products?
60. What measures would you suggest for sales promotion of a consumer product?
61. What are the factors governing basic promotional strategy?
62. Discuss the merits and demerits of various sales promotion methods.
63. Discuss the objective of sales promotion.
64. What is advertising? Discuss its objectives and point out the problems of advertising in India.
65. Discuss briefly the use and objectives of advertising. What are its limitations?
66. What are the important features of an advertisement copy?
67. Discuss the essential features of a sound advertising copy.
68. Explain the steps in preparing an advertisement copy.
69. Mention the functions of an advertising agency.
70. Examine the factors that are to be considered in the selection of media for advertising.
71. Explain the various sales promotion methods undertaken at dealers‟ as well as consumer‟s levels.
72. Discuss the functions of a sales manager.
73. Discuss the importance of sales organization.
74. What do you mean by sales organization? Explain the part played by a sales organization.
75. What is sales management? What are its functions?
76. What are the qualities of an effective sales manager?
77. Discuss the importance of sales manager.
78. Define Global Marketing and state its importance
79. List out the pros and cons of global marketing.
80. What is Tele-marketing? Explain its types.
81. Enumerate the advantages and disadvantages of telemarketing.
82. Define digital marketing. Point out its objectives.
83. What is e- marketing? Explain its various types.
84. Briefly discuss about the advantages and disadvantages of e-marketing.
85. Suggest ways for socially responsible „Green‟ Marketing taking into consideration the growing number of regulations against pollution by govt. agencies and consumers‟ demand for – harmless products.