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SCHOOL OF MANAGEMENT STUDIES

UNIT – I – Essentials of Marketing – SBAA1405

UNIT 1 INTRODUCTION

Marketing –Nature , Scope and importance of Marketing, Evolution of Marketing Management – Selling vs Marketing. Concepts – Classification of markets- Marketing environment- concept, importance, and components-Elements of Marketing Mix.

MARKET

A market consists of the forces of seller (supply) and buyer (demand) facilitating an exchangeprocesses between seller and buyer.

Classification of Market

Market can be classified on different basis. There are different types of markets on the basis of geographical area, time, business volume, nature of products, consumption, competition, seller'ssituation, nature of transaction etc. as follows:

Classification Of Market On The Basis Of Geographical Area

Market can be classified in local, regional, national and international level on the basis of geographical area:

1. **Local Market** The market limited to a certain place of a country is called local market. This type of market locates in certain place of city or any area and supplies needs and wants of the local people. Perishable consumer products such as milk, vegetables, fruits, etc are sold and bought in local markets.
2. **Regional Market:** The market which is not limited to a certain place but expanded in regional level is called regional market. Mostly, food grains such as wheat, paddy, maize, millet, sugar, oil etc are bought and sold in such regional market.
3. **National Market** :If buying and selling of some products is done in the whole nation, this is called national market. The products such as clothes, steel, cement, iron, tea, coffee, soap, cigarette, etc are bought and sold nationwide.
4. **International Or Global Market** : Market cannot be limited to any geographical border of any country. If the goods produced in a country are sold in different countries, this is called internationalmarket. today, not any country of the world is self-dependent. All the countries are exporting the goods produced in other countries. The market of some goods such as gold, silver, tea, clothes, machines and machinery, medicines etc. has spread the world over.

Classification of market on the basis of time

On the basis of time, market can be divided in very short-term, short-term, long term and very long-term market.

1. **Very Short-term Market :** The market where shortly perishable goods are sold is called very short-term market. The market of milk, fish, meat, fruits and other perishable goods is called very short-term market. The price of short goods is determined according to the pressure of demand. When the demand for suchgoods is high, price rises and when demand declines, the price falls down. If the supply is low and the demand is high, the price rises higher. In such market supply cannot be increased.

2. **Short-term Market** : In the short term market, supply of products can be increased using the maximum capacity of installed machines of the firm. The goods cannot be produced according to the demand for adjustment of supply by expanding or changing the existing machines and equipment. In short- term market, price of the goods is determined on the basis of interaction between demand and supply. But, as the supply cannot meet the demand, demand affects price determination in short- term market.

3. **Long-term Market :** In long-term market, adequate time can be found for supply of products according to demand. New machines and equipment can be installed for additional production to meet demand. As supply can be decreased or increased according to demand situation, price is determined by interaction between demand and supply in long-term market. Market of durable products is ling- term market.

4. **Very Long-term Market Or Secular Market :** In secular market, produces can get adequate time to use new technology in production process and bring new changes in products. They become ableto produce and supply goods according to changed needs, interest, fashion etc. of customers. Market research becomes helpful in doing so.

   I. Classification of market on the basis of volume of Business

   On the basis of volume of business, type and size, market can be classified in wholesale market and retailmarket.

1. Wholesale Market : If a large quantity of products are purchased from producers and sold to different retailers, this is called wholesale market. In wholesale market, the products are not sold directly to ultimate consumers. But, if consumers want to buy in large quantity, they can buy fromwholesaler.

2. Retail Market :The market that sells small quantity of products directly to ultimate consumers iscalled retail market.

II. Classification of market on the basis of nature of product

On the basis of nature of product, market can be classified in two types as follows:

1. **Commodity Market:**The market where consumer and industrial commodities like clothes, rice, machines, equipment, tea, soap, fruits, vegetables etc. are bought or sold is called commodity market. In some market only certain special commodities are bought and sold and in some other different consumer commodities are bought and sold.
2. **Financial Market**

   The market and financial instruments is called financial market. In such market, money, shares, debentures, treasury bills, commercial papers, security exchanges, loan giving or taking etc are dealt. Dealing of short term fund is called money market and dealing of long-term fund is called capital market.

III. Classification of market on the basis of Consumption

On the basis of consumption of products, market can be divided as follows:

1. **Consumer Market:** The market of products, which the people buy for consumption is called consumer market. The customers buy consumer goods, luxury goods etc. for daily consumptionor meeting their daily needs from such market.
2. **Industrial Market:** Generally, raw materials, machines and equipment, machine parts are dealt in industrial market. Domestic consumer goods are produced using them.

IV. Classification of market on the basis of competition

On the basis of competition, market can be classified into monopoly market, perfect market and imperfectmarket.

1. **Monopoly Market**

If there is full control of producer over market, then such market is called monopoly market. In such market, the producer determines price of his products in his own will. In such market, only one producer or seller controls market. In practice, the producer or seller can supply products or achieve monopoly on price only in small or limited area, but in wide area it becomes impossible.

2. **Perfect Market**

   The market where the number of buyers and sellers is large, homogeneous of products are bought and sold, same price of similar type products is determined from free interaction between demand and supply is called perfect market. Perfect competition takes between consumers and producers or buyers and sellers, but in practice perfect market can be rarely found

3. **Imperfect Market.** The market where there is no perfect competition between buyers and seller is called imperfect market. In this type of market, customers are affected by product discrimination. Post-sale services, packaging, price, nearness of market, credit facility, discount etc make product discrimination. Customers can buy same types of products from different sellers according to their desires and comfort. In practice, mostly products are bought and sold in imperfect market.

V. Classification of market on the basis of Seller's Position

On the basis of seller's position, market can be divided into primary market, secondary market andterminal market.

1. **Primary Market:** In primary market, primary goods are bought and sold. Producers sell primary goods such as agricultural products, food grains, livestock, raw materials etc. to wholesalers or commission agents in such market.
2. **Secondary Market:** Primary goods are bought from producers and sold to retailers in secondary market. Generally, wholesalers buy secondary products and sell them to retailers.
3. **Terminal Market**: In this type of market, retailers sell products to final consumers.

VI. Classification of market on the basis of nature of transaction

On the basis of nature of transaction, market can be classified into spot market and future market.

1. Spot Market : The market where delivery or handling over of the good is made immediately after sales is called spot market. In such market, price of product is paid immediately at the spot and ownership of the product is transferred to buyer at the same time.
2. Future Market: In this type of market contract is signed for sale of products in future, but no delivery of product is made. In this market, buyer and seller sign a contract for buying and selling products at certain rate of price or on condition to determine the price **in future.**

VII. Classification of market on the basis of control

On the basis of control, law, rules and regulations, market can be classified into regulated market andNon-regulated market.

Regulated Market : If trade association, municipality or government controls buying, selling, price ofproducts etc. it is called regulated market. Such market must follow the established rules, regulations and legal process and provisions. Otherwise, the businessmen are fined or punished.

Non-regulated Market :If a market is freely functioning and is not under control of any government body or any organization, it is called non-regulated market. In such market, price is determined throughinteraction between demand and supply of products and buying and selling takes place. This market hasnot to follow any rules, regulations and legal provisions.

DEFINITIONS OF MARKETING

American Marketing Association defines a market as the " aggregate demand of the potential buyers for aproduct or service"

Philip Kotler defines," a market as an area for potential exchange".

MARKETING

Marketing is the process of bringing the products from the producer to the consumer. Hence any activity which is conducted to bring the product form the manufacturer to the end consumer iscall marketing.

DEFINITIONS

Philip Kotler defines marketing as "**Marketing** is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of valuefreely with others".

The American Marketing Association offers this managerial definition: "**Marketing (management)** 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 goals".

"Marketing is not only much broader than selling; it is not a specialized activity at all. It encompasses theentire business. It is the whole business seen from the point of view of the final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise." – **Peter Drucker**

EVOLUTION OF MARKETING

- **Simple Trade Era (till mid 19th century):** In this, everything which is made or harvested were available in the market but in limited supply. This era had even barter system of buying and selling.
- **Production era (1860 to 1920): this era** started with the industrial revolution. Mass production increasesthe availability of product options in the market place. This era lasted approximately 60 years.
- **Sales Era (1920- 1940):** this era followed the production era once the consumer demand became saturated. Selling everything produced was not easy. Competition for market share increased. Companieshad to work hard to sell their product. Products became commodities and price became distinguish competitive advantage.
- **Marketing department era (1940-1960):** the post world war II economic boom emerged the marketingdepartment era where manufacturer realized that the sales orientation was not influencing the consumer. Business firm consolidated marketing related activities (advertisement, sales, promotion, public relationetc.,) into a single department.
- **Marketing Company(1960 till today):** This era emerged once the marketing concepts widely accepted. The marketing concept such as addressing customer needs, focusing on customer. These concepts became the goal of the business not only one department. All employees became the part f the marketing efforts, either directly or indirectly, and customer became king.
- **Relationship Marketing era(1990-2010):** in this era the goal is to build a long term mutually benificial,relationship with the customer. The focus changed to lifetime customer value and customer loyalty. Customer relationship management and data mining became the buzzwords in marketing.

Table 1. Difference Between Selling and Marketing

	Point of difference	Selling	Marketing
1	**Starting Point**	Selling starts with the seller. He is the center.	Marketing starts with the buyer. He is the center.
2	**Converts**	It seeks to quickly convertproducts into cash.	It seeks to quickly convert needsinto products.
3	**Business View**	It views business as a good producing process	It views business as a customer satisfying process
4	**Marketing mix**	Seller determine the marketing mix	Buyers determine the marketing mix
5	**Focus**	The firm makes the product first and then figure how to sell it and make profit	The customer determine the total product offering that would match and satisfy the identified needs of the customer. Therefore it is easy tosell and make profit.
6	**Exchange**	It emphasis on exchange aspect rather than value satisfaction	It emphasis on value satisfaction that should flow to the customer from the exchange
7	**Technology**	It emphasises on staying with the existing technology and reducing the cost of production	It emphasises on adoption of innovative technology to provide better value to the customers
8	**Price determination**	Costs determines price.	Consumer determines price, price determines costs.
9	**Communication**	Seller motives dominate marketing communication.	Marketing communication is looked upon as the tool for communicating the benefit/ satisfaction provided by the product.
10	**Distribution Aspects**	Transportation, storage and other distribution function are perceived as mere extension of the product function.	Transportation, storage and other distribution function are seen as services to the customer.
11	**Selling approach**	Adopts somehow selling approach.	Adopts integrated marketing approach covering product price place promotion.
12	**Operations of the department**	Different department of the business operates as separate watertight compartments	All department of the business operate ntegrated manner to achieve consumer satisfaction
13	**Main function**	Production is the central functionof the business	Marketing is the central function ofthe business

14	**Customer stand**	Selling views the customer aslast link in the business	Marketing views the customer as the vary purpose of the business. It sees the busines in the customers' point of view

SCOPE OF MARKETING:

1. **Study of Consumer Wants and Needs**

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

2. **Study of Consumer behaviour**

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

3. **Production planning and development**

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

4. **Pricing Policies**

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

5. **Distribution**

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

6. **Promotion**

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

7. **Consumer Satisfaction**

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

8. **Marketing Control**
9. Marketing audit is done to control the marketing activities.

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.
2. **Marketing is helpful in raising and maintaining the standard of living of the Community:** 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. 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 involves a wide range of functions as buying, selling, financing, transport, warehousing, risk bearing and standardisation, etc. In each such function different activities are performed by a large number of individuals and bodies. Thus 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 industrialisation, role of marketing has widened.
4. **Marketing as a Source of Income and Revenue:** Marketing provides many opportunities to earnprofits 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:** In modern times marketing has become a verycomplex and tedious task. Hence companies are confronted with many problems in the form of what, how, when, how much and for whom to produce. Marketing has emerged as new specializedactivity along with production and helps the producers to decide what to produce and sell.
6. **Marketing Acts as a Source of New Ideas:**

   The concept of marketing is a dynamic concept. The demand for any product largely depends on the tastes and preference of people. Marketing as an instrument of measurement to understand the changing preferences of consumers and contribute lots of new ideas to the producers and sellers.

Eg: Rice cooking pans have replaced by pressure cookers and later by electric cookers. (each product is a new innovation)

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 marketingfunction, the weaker will be the economy.

NATURE OF MARKETING:

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

2. **Marketing is a Legal Process by which Ownership Transfers:** In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

3. **Marketing is a System of Interacting Business Activities:** Marketing is that process through which a business enterprise, institution, or organisation interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and managerelationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

4. **Marketing is a Managerial function:** According to managerial or systems approach - "Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market." According to this approach the emphasis is on how the individual organisation processes marketing and develops the strategic dimensions of marketing activities.

5. **Marketing is a social process:**

- Marketing is the delivery of a standard of living to society.According to **Cunningham and Cunningham (1981)**societal marketing performs three essential functions:-
- Knowing and understanding the consumer's changing needs and wants;
- Efficiently and effectively managing the supply and demand of products and services; and
- Efficient provision of distribution and payment processing systems.

6. **Marketing is a philosophy** based on consumer orientation and satisfaction
7. **Marketing had dual objectives** - profit making and consumer satisfaction

CONCEPTS IN MARKETING

1.The Production Concept

The production concept, one of the oldest in business, holds that consumers prefer products that arewidely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution.

2.The Product Concept

The Product concept holds that consumers favor those products that offer the most quality, performance, or innovative features. Managers in these organizations focus on making superior products and improving them over time, assuming that buyers can appraise quality and performance. Product-oriented companies often design their products with little or no customer input, trusting that their engineers can design exceptional products.

3.The Selling Concept

The selling concept, undertake an aggressive selling and promotion effort. The selling concept is practiced most aggressively with unsought goods—goods that buyers normally do not think of buying, such as insurance. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants.

4.The Marketing Concept

This concept - emerged in the mid-1950s. The marketing concept holds that the key to achieving organizational goals consists of the company being more effective than its competitors in creating, delivering, and communicating customer value to its chosen target markets. It starts with a well- defined market, focuses on customer needs, coordinates activities that affect customers, and produces profits by satisfying customers.

5. The Customer Concept

The customer concept is practicing the marketing concept at the level of each customer. In this, company collect information about the individual customer's past transaction, demographic profile and psychographic behavior etc., it is like one to one market.

6. The Societal Marketing Concept

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest.

7. Holistic Marketing

A Holistic Marketing approach states that business is considered as a whole wherein all the departments viz. R&D, Marketing, Finance, HR, etc. are integrated and work collectively towards the marketing and sale of a product. This approach has recently gained popularity because of the increased competition in the market where everyone is trying to create the brand image in the minds of the customers. Holistic marketing is based on 360-degree view approach, where ideas and suggestions from everyone who are directly or indirectly related to the business are taken to matchup with the changing marketing trends. This approach has given equal importance to every department which can contribute to the success of the product.

MARKETING ENVIRONMENT

Marketing Environment can be defined as the various internal and external factors that surround the business on a day to day basis and influence the marketing strategies and other operations of the firm.

Marketing Environment

The **Marketing Environment** includes the Internal factors (employees, customers, shareholders, retailers & distributors, etc.) and the External factors(political, legal, social, technological, economic) that surroundthe business and influence its marketing operations.

According to **Philip Kotler**, "A company's marketing environment consists of the internal factors & forces, which affect the company's ability to develop & maintain successful transactions & relationshipswith the company's target customers".

Example of Importance of Marketing Environment

The mobile technology brand Nokia had a stronghold in the market till the time the management of the company was paying due attention to the Importance of Marketing Environment. But with the changing spheres of business dynamics and the overall marketing environment, the company was not able to keep up with the developing choices of its customers and technological advancements and slowly and graduallythe brand started losing its major chunk of market share to the new and technological advanced mobile brands such as Apple, Blackberry, and Samsung that bought the revolution of smartphones. Nokia slowlylost its battle and eventually vanished from the market.

Table 2: Factors Influencing Marketing Environment

MICRO ENVIRONMENT	MACRO ENVIRONMENT
Consumer Market/Demand Competition Intermediaries Suppliers	.Demographic Economic .Natural/Physical Technological .Political/Legal Government Socio Cultural

Macro Environment Factors

1. **Demographic Environment**

   It is a major element to be studied in Environment analysis, several factors relating to population such as Size, Growth rate, Age Distribution, Religious Composition and literacy levels need to bestudied. Aspects such as composition of workforce,Household patterns, regional characteristics, Population shifts,etc.,need to be studied.

2. **Socio-Cultural Environment**

   Culture, traditions, beliefs,values and lifestyles of the people in a given society constitute the sociocultural environment. These elements decide to a large extent, what the people will consume and how they will buy.

3. **Culture:** Culture is the combined result of factors like religion,,language ,education and upbringing. Some cultural values are deep-rooted they do not change easily and are termed Core Cultural Values. Some value and practices are more amendable to change and can be molded and manipulated more easily constitute secondary cultural values. Cultural shifts carry with them marketing opportunities as well as threats, therefore close monitoring of the cultural environment becomes important.

4. **Social class:** Any society is composed of different social classes. A social class is determined by income,occupation,location of residence,etc,.Each class has its own standards with respect to lifestyle,behaviour,etc, they are known as class values. These values have a strong bearing on the consumption pattern and buying behaviour. Shift in class values do take place over time owing to several factors.
5. **Economic Environment:** The major economic factors which influences a business and are to considered are :General Economic conditions : Economic conditions of different segments of the population, their disposable income, Purchasing power ,etc., Rate of growth of

   each Sector of the Economy, Agriculture, Consumer goods, Services, Imports ,Exports, Industry. Income ,prices and consumption expenditure. Credit availability and interest rate, Inflation rate

   ,Behaviour of capital markets ,Exchange rate, Tax rates, Prices of important materials

6. **Political/Legal Environment:**

   Infact economic environment is often a by-product of the political environment, since economical and industrial policies followed by a nation greatly depend on its political environment. Political environment has several aspects.

a. Form of government adopted by the country
b. Political stability

Stability of government is an essential requisite of economic growth. Elements like social and religious organizations; media are also a part of the political environment. Businesses have to operate within the framework of the prevailing legal environment. They have to understand the implications of all the legal provisions relating to their business.

7. **Natural Environment**

   Aspects like extent of endowment of natural resources in the country, ecology, climate,etc ,these constitute the natural environment.

8. **Natural resources:** Business firms depend on natural resources. Raw materials is one major part ofthese resources and firms are concerned with their availability.

- Ecology: Issues like environment pollution, protection of wild life and ocean wealth-ecology on which firms are concerned. Business firms will have to know the nature and dimensions of environmental regulations and to which extent these factors will affect their business prospectus.
- Climate: Firms with products whose demand depends on climate and firms depending on climate- dependent raw materials will be particularly concerned with this factor. They have to study the climate in depth and decide their production locations and marketing territories appropriately.
- Technology Environment: Today, technology is a major force which industry and business have to reckon with. For a business firm technology affects not only its final products but also its raw materials, processes and operations as well its customer segments. At present rapid changes are taking place in the realm of technology-eg: IT & Telecom Industry.

- The firm has to analyse carefully the overall technology environment
- It has to assess the relative merits and cost effectiveness of alternative technologies.
- It also has to analyse technological changes taking place in its industry at the international level.
- Firms have to scan the technology environment and select technologies that will be appropriatefor the firm and the given product- market situation.

Micro Environment Factors

1. **Consumer :**In many industries consumer tastes and preferences keep fluctuating and the customerbrand loyalty too keeps changing. Industries like cosmetics, personal care products, garments and entertainment products are a few examples. so, a perpetual process of customer analysis is neededto make marketing planning effective.

Market Demand: The aspects to be studied here include:

1. Nature of the Demand
2. Size of the demand
3. Changes taking place in demand
4. Invasion of substitute products
5. Changes taking place in consumption pattern/buying habits

2. Competition:

Knowledge about industry and competition is a fundamental requirement for developing marketingstrategy.

3.**Government: Government** has no. .of roles to play as stake holders in commercial organizations.

.Commercial organizations provide govt. with taxation revenue, so a healthy business sector is in the interest of govt. Govt. is increasingly expecting business organizations to take over many responsibilities from the public sector. eg- payment of sickness and maternity benefits to employees. It is through business organizations that govts. achieve many of their economic and social objectives. eg- economic development and skills training.

4. **Intermediaries :**Companies must not ignore the wholesalers, retailers and agents who may be crucial interfaces between themselves and their final consumers .Intermediaries may need reassurance about the company's capabilities as a supplier that is capable of working with them to supply goods and services in a reliable and ethical manner.

5. **Suppliers:** Suppliers provide an organization with goods and services that are transformed by the organizations in to value added products for customers.In Business 2 Business (b2b) marketing, one company's supplier is likely to be another company's customer, and it is important to understand how suppliers, manufactures and intermediaries work together to create value.

DEFINITION OF MARKETING MIX

"Marketing Mix is the combination of four elements, called the 4P's (product, Price, Promotion, and Place), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy"

Meaning of Marketing Mix

The Marketing Mix is a marketing tool used by marketing professionals. It is often crucial when determining product or brand's offering, and it is also called as 4P's (Product, Price, Promotion, and Place) of marketing. However, in case of services of different nature the 4 P's have been expanded to 7P's or 8P's.In recent times, giving more importance to customer a new concept have been introduced, i.e. Concept of 4C's. The Concept of 4C's is more customer-driven replacement of 4P's. According to Lauterborn's the 4C's are - Consumer, Cost, Communication, and Convenience. According to Shimizu's the 4C's are - Commodity, Cost, Communication, and Channel.

4P's - Producer-oriented Model of Marketing Mix

1. **Product** - Products are offerings that a marketer offers to the target audience to satisfy their needs and wants. Product can be tangible good or intangible service. Tangible products are goods like - cellphone, television, or motor car, whereas intangible products are services like - financial service in a bank, health treatment by a doctor, legal advice of a lawyer.

2. **Price -** Price is the amount that is charged by marketer of his offerings or the amount that is paid by consumer for the use or consumption of the product. Price is crucial in determining the organization's profit and survival. Adjustments in price affects the demand and sales of the product. Marketers are required to be aware of the customer perceived value of the product to set the right price.

3. **Promotion -** Promotion represents the different methods of communication that are used by marketer to inform target audience about the product. promotion includes - advertising, personal selling, public relation, and sales promotion.

4. **Place -** Place or distribution refers to making the product available for customers at convenient and accessible places.

4 C’s Consumer-oriented model of marketing Mix

1. **Consumer** - In this model the Product is replaced by Consumer. Marketers focus more on consumer satisfaction. The product is designed and produced keeping in consideration the requirements of consumer.
2. **Cost -** Price is replaced by Cost. Here the cost refers to the total cost of owning a product. It includes cost to use the product, cost to change the product, and cost of not choosing the competitor's product.
3. **Communication** - Promotion is replaced by Communication. Communication includes advertising, public relation, personal selling, and any method that can be used for proper ,timely, and accurate communication between marketer and consumer.
4. **Convenience -** Place is replaced by Convenience. it focuses on ease of buying, convenience in reaching to the store/product, and convenience in getting product information.

QUESTION BANK – UNIT - 1

PART – A		CO	Blooms Level
1	Distinguish between Industrial Market and Consumer Market.	CO1	L4
2	Identify the meaning of Monopoly Market.	CO1	L3
3	Interpret the meaning of Marketing.	CO1	L5
4	Inspect the importance of marketing in business development.	CO1	L4
5	Select any two examples for societal marketing concept.	CO1	L5
6	Justify how government influences marketing decisions.	CO1	L5
7	Discover the four P'S of Marketing mix.	CO1	L4
8	Mark the role of 'Barter system' in evolution of marketing.	CO1	L5
9	List the 4'C of marketing.	CO1	L4
10	Conclude on the scope of marketing.	CO1	L4

PART – B		CO	Blooms Level
1	Distinguish between selling and marketing and illustrate how radically the two approaches can differ.	CO1	L4
2	Elaborate in detail on the various stages of 'Evolution of Marketing'.	CO1	L6
3	Determine how marketing has changed over centuries, decades and years.	CO1	L5
4	Discuss in detail the classification of market on various parameters.	CO1	L6
5	Organize the concept of marketing mix and the various factors that determine it.	CO1	L3
6	Predict the relative importance of all macro environmental forces affecting the marketing decisions of a firm.	CO1	L6
7	List the forces determine external marketing environment? Discuss any three forces with examples.	CO1	L4
8	Explain the importance of understanding customer and the market place, and identify the core marketing concept.	CO1	L5
9	Agree that "Marketing is essential for success of a business firm". If so give reasons in support of your answer along with relevant examples from business and non-business sectors.	CO1	L5

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SATHYABAMA

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SCHOOL OF MANAGEMENT STUDIES

UNIT – II – Essentials of Marketing – SBAA1405

UNIT 2 MARKET SEGMENTATION AND CONSUMER BEHAVIOUR

Market segmentation - concept, importance and bases - Target market selection - Positioning concept,importance and bases - Consumer Behaviour - Nature and Importance - Consumer buying decision process - Factors influencing consumer buying behaviour.

MARKET SEGMENTATION

Market segmentation is the process of dividing a market of potential customers into homogenous groups, or segments, based on their 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.

Importance of Market Segmentation

- Market segmentation makes it easier for marketers to personalize their marketing campaigns.
- Marketers can be more efficient with their time, money, and other resources than if they were targetingconsumers on an individual level based on their segmented groups .
- Grouping similar consumers together allows marketers to target specific audiences in a cost effective manner.
- Market segmentation also reduces the risk of an unsuccessful or ineffective marketing campaign.
- When marketers divide a market based on key characteristics and personalize their strategies based onthat information, there is a much higher chance of success than if they were to create a generic campaignand try to implement it across all segments.
- Marketers can also us segmentation to prioritize their target audiences.
- If segmentation shows that some consumers would be more likely to buy a product than others, marketers can better allocate their attention and resources.

STEPS IN MARKET SEGMENTATION

Roger Best proposed the seven-step approach to advocate the **needs-based segmentation approach**

- Needs-Based Segmentation : Group customers into segments based on similar needs and benefits soughtby customer in solving a particular consumption problem.
- Segment Identification: For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (actionable).
- Segment Attractiveness : Using predetermined segment attractiveness criteria (such market growth,competitive intensity, and market access), determine the overall attractiveness of each segment.
- Segment Profitability: Determine segment profitability
- Segment positioning : For each segment; create a "value proposition" and product-price positioningstrategy based on that segment's unique customer needs and characteristics.
- Segment "Acid Test" : Create "segment storyboards" to test the attractiveness of each segment'spositioning strategy.
- Marketing-mix strategy : Expand segment positioning strategy to include all aspects of the marketingmix: product, price, promotion and place.

BENEFITS OF MARKET SEGMENTATION

There are a number of reasons organizations undertake segmentation

1. **Products are designed to be responsive to the needs of the marketplace**. – segmenting markets facilitates a better understanding of customer's needs, wants and other characteristics. The sharper focus that segmentation offers, allows those personal, situational and behavioral factors that characterize customers in a particular segment can be considered. By being closely in touch with segments, marketers can respond quickly to even the slight changes in what target customers want. i.eby monitoring the trends towards healthier eating and lifestyles, Mc Donald's was able to respond by respond by introducing a wider range of salads and healthy eating options – including grilled chicken,fruit and yoghurt on to its menus.

2. **Increase profits** – different consumer segments react in contrasting ways to prices, some are far less price sensitive than others. Segmentation allows an organization to gain from the best price it can in every segment, effectively raising the average price and increasing profitability.
3. **Effective Resource Allocation** - organizations are more capable of making products that customers want and can afford.
4. **here is product differentiation** – Various products are made to meet the needs of each customer segment.

Requirements of Good Market Segments

In addition to having different needs, for segments to be practical they should be evaluated against thefollowing criteria:

1. **Identifiable** -The marketer should be able to identify which consumers are members of a particular market segment. The consumers in the segment should respond in the same way to a particular marketing mix. There must be some common characteristics that the consumers have.
2. **Measurable** - The characteristics that are common to the groups of consumers should be measured in terms of size, purchasing power and other characteristics.
3. **Substantial** -The segment should be large enough to generate sales volume that ensures profitability; otherwise it will not be economical to design a unique marketing mix for it. The market segment should be worth the effort taken by the marketer.
4. **Accessible**: the segments must be reachable through communication and distribution channels.
5. **Durable:** the segments should be relatively stable to minimize the cost of frequent changes.
6. **Responsive** - Market segments must be defined in their willingness to purchase a product in response to variations in the marketing mix.
7. **Compatible with corporate image** -The market must be compatible with the firm's objectives and corporate image.

MARKET SEGMENTATION

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

Levels of Market Segmentation:

1. **Mass Marketing:** In Mass Marketing the seller engages in the mass production, mass distribution and mass promotion of one product for all buyers.E.g.: only one size coke- 6.5 ounce bottle
2. **Niche Marketing**: A 'niche' is a more narrowly defined group, typically a small market whose needs are not being well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group with a distinctive set of traits who may seek a special combination of benefits.E.g.: Johnson & Johnson; Diabetes
3. **Local Marketing:** Target marketing is increasingly taking on the character of regional and local marketing, with marketing programs tailored to the needs and wants of local customer groups.
4. **Individual Marketing:** It is otherwise known as "Customized Marketing" or "one-to-one Marketing". It is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirement.E.g.: Japan's National Bicycle Industrial Company makes bikes filled to the preferences and anatomies of individual buyer.
5. **Self Marketing:** It is a form of individual marketing in which the individual customers takes more responsibility for determining which products and brands to buy.Eg.,Toll free numbers; Internet will increase individual buyers ability to practice self marketing.

PATTERNS OF MARKET SEGMENTATION

1. **Homogeneous preferences**: a market in which all of the consumers have roughly the same preference,so there are no natural segments.

2. **Diffused preferences:** At the other extreme, consumer preferences may be scattered throughout the space indicating great variance in consumer preferences. One brand might position in the center to appeal to the most people; if several brands are in the market, they are likely to position throughout the space and show real differences to reflect consumer-preference differences.
3. **Clustered preferences:** The market might reveal distinct preference clusters, called natural market segments. The first firm in this market might position in the center to appeal to all groups, choose the largest market segment (concentrated marketing), or develop several brands for different segments. If the first firm has only one brand, competitors would enter and introduce brands in the other segments

BASES FOR SEGMENTING CONSUMER MARKETS

1. **Geographic Segmentation**:

   Geographic segmentation calls for dividing the market into different geographical units. People belonging to different regions may have different reasons to use the same product as well. This type ofmarket segmentation is important for marketers as people belonging to different regions may have different requirements. Hence Geographic segmentation helps marketer draft personalized marketing campaigns for ever. Geographic segmentation divides the market on the basis of geography. Geographic segmentation is when a business divides its market on the basis of geography. There are several ways that a market can be geographically segmented. A company can divide its market by geographical areas, such as by city, county, state, region, (like the West Coast), country, or international region, (like Asia), divide the market into rural, suburban, and urban market segments. Market can also be segmented geographically by climate or total population in each area. Example, water might be scarce in some regions which inflates 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.

2.Demographic Segmentation :

In demographic segmentation, the market is divided into groups on the basis of age and the other demographic variables.Here is how certain demographic variables have been used to segment consumermarkets**:**

- **Age and life-cycle stage:** Consumer wants and abilities change with age. Age and life cycle can be tricky variables. For example, Ford originally designed its Mustang automobile to appealto young people who wanted an inexpensive sport car. But when Ford found that the car was being purchased by all age groups, it recognized that the target market was not the chronologically young, but the psychologically young.
- **Gender:** Gender segmentation has long been applied in clothing, hairstyling, cosmetics, and magazines. Occasionally other marketers notice an opportunity for gender segmentation. .Ex: Fair & lovely and Fair n Handsome
- **Income:** Income segmentation is segmenting the market depending on the income of the people. eg., Cars for different income groups in the same brand like alto, swift, swift desire, SX4 in Maruti.
- **Generation**: Each generation is profoundly influenced by the times in which it grows up—the music, movies, politics, and events of that period. Some marketers target Generation Xers (those born between 1964 and 1984), while others target Baby Boomers (those born between 1946 and 1964).
- **Social class:** Social class strongly influences preference in cars, clothing, home furnishings, leisure activities, reading habits, and retailers, which is why many firms design products for specific social classes. However, the tastes of social classes can change over time.

3.Psychographic Segmentation : In psychographic segmentation, buyers are divided into different groups on the basis of lifestyle or personality and values. People within the same demographic groupcan exhibit very different psychographic profile**s.**

- **Lifestyle:** People exhibit many more lifestyles than are suggested by the seven social classes, and the goods they consume express their lifestyles.**Ex**: Meat seems an unlikely product for lifestyle segmentation, but one Kroger supermarket in Nashville found that segmenting self-service meat products by lifestyle, not by type of meat, had a big payoff. This store grouped meats by lifestyle, creating such sections as "Meals in Minutes" and "Kids Love This Stuff" (hot dogs, hamburger patties, and the like). By focusing on lifestyle needs, not protein categories, Kroger's encouraged habitual beef and pork buyers to consider lamb and veal as well—boosting sales and profits.But lifestyle segmentation does not always work **Ex:** Nestlé introduced a special brand of decaffeinated coffee for "late nighters," and it failed, presumably because people saw no need forsuch a specialized product.

- **Personality:** Marketers can endow their products with brand personalities that correspond to consumer personalities. **Ex:** Apple Computer's iMac computers, for example, have a friendly, stylish personality that appeals to buyers who do not want boring, ordinary personal computers
- **Values:** Core values are the belief systems that underlie consumer attitudes and behaviors. Corevalues go much deeper than behavior or attitude, and determine, at a basic level, people's choicesand desires over the long term. Marketers who use this segmentation variable believe that by appealing to people's inner selves, it is possible to influence purchase behavior.

4.Behavioral Segmentation

In behavioral segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. Many marketers believe that behavioral variables—occasions, benefits, userstatus, usage rate, loyalty status, buyer-readiness stage, and attitude—are the best starting points for constructing market segments.

- **Occasions**: Buyers can be distinguished according to the occasions on which they develop a need, purchase a product, or use a product. For example, air travel is triggered by occasions related to business, vacation, or family, so an airline can specialize in one of these occasions.
- **Benefits:** Buyers can be classified according to the benefits they seek. One study of travelers uncovered three benefit segments: those who travel to be with family, those who travel for adventure or education, and those who enjoy the "gambling" and "fun" aspects of travel.
- **User status:** Markets can be segmented into nonusers, ex-users, potential users, firsttime users, and regular users of a product. The company's market position also influences its focus. Market leaders (such as America Online) focus on attracting potential users, whereas smaller firms (such as Earthlink, a fast-growing Internet service provider) try to lure users away from the leader.

- **Usage rate:** Markets can be segmented into light, medium, and heavy product users. Heavy users are often a small percentage of the market but account for a high percentage of total consumption. Marketers usually prefer to attract one heavy user rather than several light users, and they vary their promotional efforts accordingly.
- **Loyalty status.** Buyers can be divided into four groups according to brand loyalty status: (1) hard- core loyals (who always buy one brand), (2) split loyals (who are loyal to two or three brands), (3) shifting loyals (who shift from one brand to another, and (4) switchers (who show no loyalty to any brand).
- Each market consists of different numbers of these four types of buyers; thus, a brand-loyal market has a high percentage of hard-core loyals. Companies that sell in such a market have a hard time gaining more market share, and new competitors have a hard time breaking in.
- **Buyer-readiness stage:** A market consists of people in different stages of readiness to buy a product: Some are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy. The relative numbers make a big difference in designing the marketing program.
- **Attitude:** Five attitude groups can be found in a market: (1) enthusiastic, (2) positive, (3) indifferent,

  (4) negative, and (5) hostile. So, **for example**, workers in a political campaign use the voter's attitude to determine how much time to spend with that voter. They may thank enthusiastic voters and remind them to vote, reinforce those who are positively disposed, try to win the votes of indifferent voters, andspend no time trying to change the attitudes of negative and hostile voters.

FACTORS TO CONSIDERED TO EVALUATING DIFFERENT MARKET SEGMENTS1.SEGMENT OVERALL ATTRACTIVENESS:

In this step we analyze all the opportunities available in the market which could be tapped by providingappropriate product and the cultivation of profit.

1. Size of the segment (no. of customers, no. of units)
2. Growth rate of the segment
3. Competition in the segment
4. Brand loyalty of existing customers in the segment

5. Attainable market share given promotional budget and competitors expenditures
6. Required market share to break even
7. Sales potential of the firm in the segment
8. Expected **profit margins in the segment**

Company's objectives and resources:

Once the opportunity is identified in the market we need to match the available resources with the firm which is required to exploit the opportunity in desired manner. Hence the firm's objectives, resources and capabilitiesare to considered as

1. The firm's capacity to offer superior value to the customers in the customers.
2. The impact of serving the segment on the firm's image
3. Access to distribution channels required to serve the segment
4. The firm's resources vs capital investment required to serve the segment.

TARGET MARKET

Target Market:

It refers to that particular market in terms of customer group which is selected or identified by marketers to tap it. All marketing plans & strategies are made according to this target market to generate revenue which will help firm to increase market share & profitability

Targeting is the process of identifying the most attractive segments from the segmentation stage, usually the ones most profitable for the business. Target marketing tailors a marketing mix for one or more segments identified by market segmentation.

Targeting process

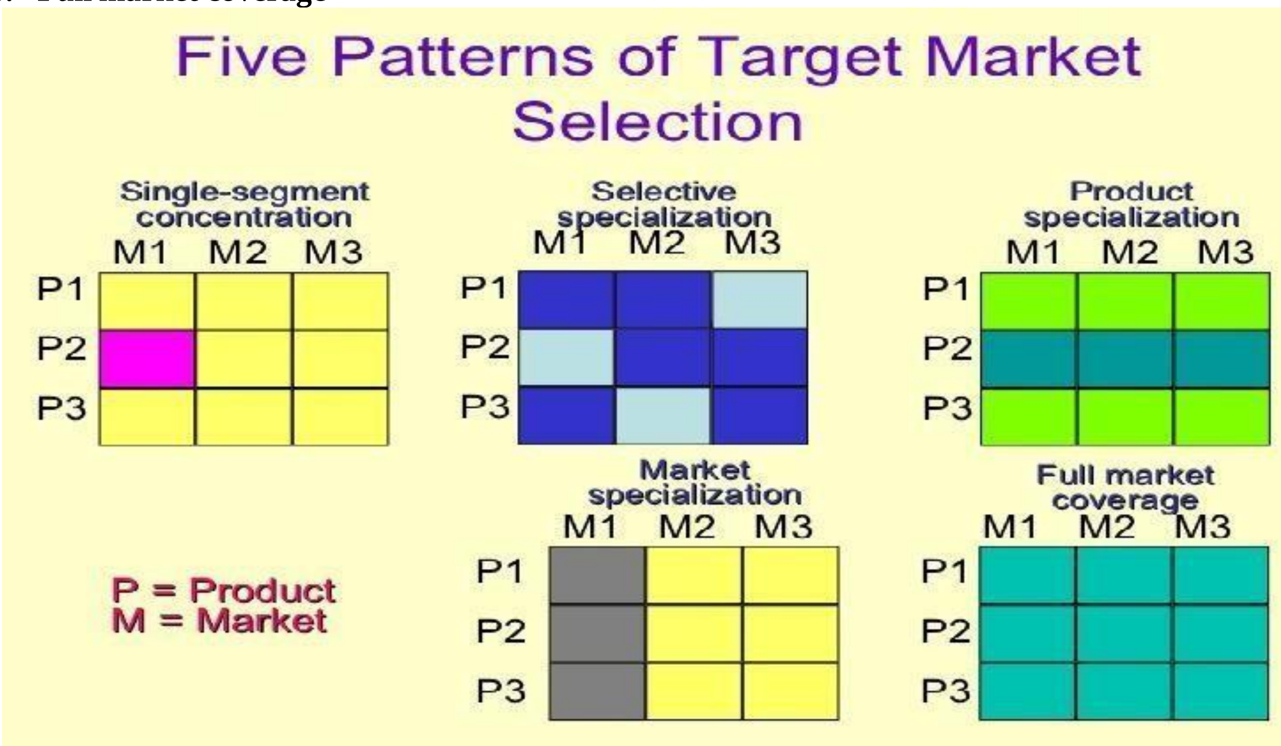
Once the firm has decided its market segments then it has to decide how many segments to be selected for targeting purpose. Market targeting is a process of capturing the target market to cultivate profits and Targeting Process consist following steps:

Evaluation the market segments ----selecting the target market additional consideration

Patterns of targeting:

1. **Single segment concentration**

2. **Selective Specialisation**
3. **Product Specialisation**
4. **Market specialization**
5. **Full market coverage**



1. **Single Segment Concentration:**

   Here company is having single product and focus is on single market. It is applicable for those sellerswhich has small market and limited demand in the market.

2. **Selective Specialization:** Here companies are dealing in multiple product and multiple market but theyselect some specific market for specific product. **e.g: Apple**

   - For Business class Laptop
   - For Music lovers ipod
   - For phone users iPhones

3. **Product Specialization :** Here the firm specializes in marketing a certain product that it sells to severalmarket.

   e.g: Nokia
   - Cheaper Price class Nokia 1100
   - Business class Nokia E-Series
   - Music lovers class Nokia X-Series

4. **Market Specialization:** Here firm concentrate on serving many needs of a particular customer group ormarkets with focused strategy. **eg: Johnson & Jonhson for baby products**

- Powder
- Soap
- Shampoo
- Baby lotion
- Baby oil

5. **Full Marketing Coverage:** Here a firm attempts to serve all customer groups with all of the products they might need. Only very large firms can undertake a full market coverage strategy. **Examples** includeIBM (computer market), General Motors (vehicle market), and Coca-Cola (drink market). Here firm serve all customer groups with multiple products focused towards capturing all markets with variety ofproducts in product portfolio.

   e.g

   • Coca Cola

   • Kinley

   • Fanta

Full market coverage approach can be applied in 3 ways of Targeting

1) Undifferentiated /Standardization:-In Undifferentiated strategy same product is offered to all market segments with common standardized features without keeping any difference even in the presence of difference among customers. Here marketers launch the product with same pricing, distribution & promotionstrategies applicable to all segments.

e.g.- coke & Pepsi

2) Differentiation: It is just opposite of above explained. In this strategy firms differentiates its products for all segments according the needs& wants of that segments. Due to presence of difference of taste & preference, buying power etcamong consumers marketers alter its product features & other related strategy in all segmentsto fulfill the different needs of consumers.

e.g:- Airlines

• First Class

• Business Class

• Economy Class

3) **Concentrated/Focused:-** It is combination of both. Here the core product and its strategies remains the same but differentiation is made to take into account specific customers groups requirements. Here basic product is same but minordifferences are created to offer variety in same product line.

Eg:-Maruti: Zen Lxi,, ,Zen Vxi, ,Zen

POSITIONING

An effort to influence consumer perception of a brand or product relative to the perception of competing brands or products. Its objective is to occupy a clear, unique, and advantageous position in the consumer's mind.

According to Philip Kotler," Positioning is the act of designing the company's offering and imageto occupy a distinctive place in the mind of the target market."

Positioning involves:

- Identifying the unique features of the product (USP).
- Selecting the difference that has greater competitive advantage.
- Communicating such advantage to the target audience.

The ways to position a product are:

- Use Situations Eg: Rasna
- Emphasizing Tangible Benefits Eg: Promise toothpaste
- Linking to Uses Eg: Dettol
- Head-on Competitive Positioning Eg: Onida
- Life style Positioning Eg: Microwave oven

The process of creating an image of a product in the minds of the consumers is called as positioning. Positioning helps to create first impression of brands in the minds of target audience. In simpler words positioning helps in creating a perception of a product or service amongst the consumers.

Example

- The brand "Bisleri" stands for purity.
- The brand "Ceat Tyre" stands for better grip.

Steps to product Positioning

Marketers with the positioning process try to create a unique identity of a product amongst the customers.

1. **Know your target audience well**

   It is essential for the marketers to first identify the target audience and then understand their needs andpreferences. Every individual has varied interests, needs and preferences. No two individuals can thinkon the same lines.

   Know what your customers expect out of you.
   The products must fulfill the demands of the individuals.

2. **Identify the product features**

   The marketers themselves must be well aware of the features and benefits of the products. It is rightlysaid you can't sell something unless and until you yourself are convinced of it.

   A marketer selling Nokia phones should himself also use a Nokia handset for the customers to believehim.

3. **Unique selling Propositions**

   Every product should have USPs; at least some features which are unique. The organizations mustcreate USPs of their brands and effectively communicate the same to the target audience.

   The marketers must themselves know what best their product can do.Find out how the products can be useful to the end-users ?

   Why do people use "Anti Dandruff Shampoo?"

   Anti Dandruff Shampoos are meant to get rid of dandruff. This is how the product is positioned in theminds of the individuals.

   Individuals purchase "Dabur Chyawanprash "to strengthen their body's internal defense me

   chanism and fight against germs, infections and stress. That's the image of Dabur

Chyawanprash inthe minds of consumers.

USP of a Nokia Handset - Better battery backup.USP of Horlicks Foodles - Healthy snack

Communicate the USPs to the target audience through effective ways of advertising. Use banners, slogans, inserts and hoardings .Let individuals know what your brand offers for them to decide what is best for them.

4. **Know your competitors**
   - A marketer must be aware of the competitor's offerings. Let the individuals know how yourproduct is better than the competitors?
   - Never underestimate your competitors.
   - Let the target audience know how your product is better than others.
   - The marketers must always strive hard to have an edge over their competitors.
5. **Ways to promote brands**
   - Choose the right theme for the advertisement.
   - Use catchy taglines.
   - The advertisement must not confuse people.
   - The marketer must highlight the benefits of the products.
6. **Maintain the position of the brand**
   - For an effective positioning it is essential for the marketers to continue to live up to theexpectations of the end - users.
   - Never compromise on quality.
   - Don't drastically reduce the price of your products.
   - A Mercedes car would not be the same if its price is reduced below a certain level.
   - A Rado watch would lose its charm if its price is equal to a Sonata or a Maxima Watch.

BUYER BEHAVIOUR

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.

Consumer/ buyer Behavior is the study of how individuals, groups, and organizations select, buy, use, anddispose of goods, services, ideas, or experiences to satisfy their needs and wants.

Importance of Consumer behaviour to marketers

- To design the best possible product or service that fully satisfies consumer's needs and demands.
- To decide where the service or product would be made available for easy access of consumers.
- To decide the price at which the consumers would be ready to buy that product or service.
- To find out the best method of promotion that will prove to be effective to attract customers to buy aproduct.
- To understand why, when, how, what and other factors that influence buying decision of theconsumers.

NATURE OF CONSUMER BEHAVIOUR:

1. Influenced by various factors:

The various factors that influence the consumer behaviour are as follows:

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 timefactor.

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. But there are other consumers who, despite having surplus money, do notgo even for the regular purchases and 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 urbanconsumers 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 may also 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 factorsthat influence the consumer behaviour of their target customers.

The knowledge of consumer behaviour enables them to take appropriate marketing decisions in respectof 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:

A 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. But if a person spends less on goods and services, despite having a good income, they deprives themselves of higher standard of living.

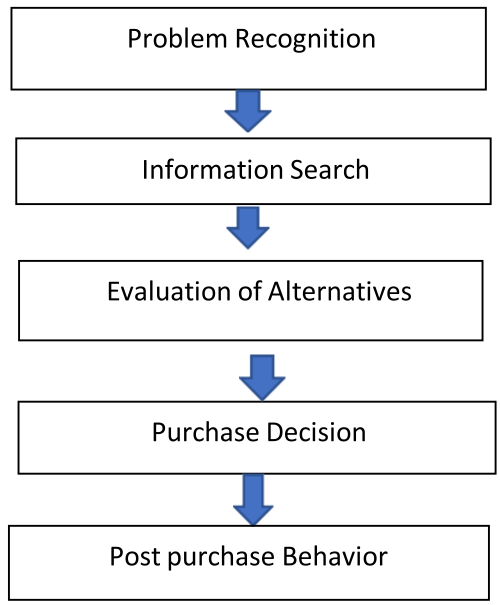
9. Reflects status:

The consumer behaviour is not only influenced by the status of a consumer, but it also 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.

THE BUYING DECISION PROCESS:

Marketing scholars have developed a "stage model" of the buying decision process. A consumer passes through five stages. But a consumer does not always pass through all five stages in buyinga product. They may skip or reverse some stages.

The Five- stage model:



Problem Recognition:

The buying process starts when the buyer recognizes a problem or need. The buyer senses a difference between his/her actual (current) state and desired (expected) state. This can be understood by an internal stimuli or external stimuli. **Example**: Dandruff in hair is the recognitionof problem. The buyer wants a clean, healthy air (expected) compared to unhealthy dandruff problem hair (actual). This the person may understand due to internal stimuli (constant itching) or due to external stimuli (someone may tell, or by seeing some one's healthy hair).

Information Search:

An aroused consumer will be inclined to search for more information. The person may enter an active information search – looking for reading material, phoning friends, going online, and visiting stores to learn more about the product. Marketer's interests are the major information sources to which a consumer will turn and the relative influence each will have on the subsequentpurchase decisions. The information sources fall into four groups:

- Personal – Family, friends, neighbors, acquaintances
- Commercial – Advertising, websites, sales persons, dealers, packaging, displays.
- Public – Mass media, Consumer rating organizations
- Experiential – Handling, Examining, using the product.

Evaluation of Alternatives:

The consumer develops a set of brand beliefs, about where each brand stands against certain factors. These factors influence brand image and brand choice and it varies with his or her experiences are filtered by others attitudes and unexpected situational factors.

Example: The person's family may be herbal product oriented, thereby influencing the use of homemade remedies, however the situation may suggest (advice) shampoo.

Purchase Decision:

Thus, when the two factors intervening in the purchase decision are removed, then the preferencefor a brand is taken. Its quality, reliability are verified and then the product is decided upon and purchased.

Post Purchase Behavior:

The buyer's satisfaction or dissatisfaction with a purchase lays in the relationship between the consumers expectations and the products perceived performance. If the product falls short of expectations, the consumer is disappointed; if it meets the expectation the customer is satisfied. Ifit exceeds the expectation the customer is delighted.

Satisfied customers will continue to purchase the product and will spread good image about it. Dissatisfied customer will not purchase the product and will spread a bad image about the product.

FACTORS THAT INFLUENCE BUYING BEHAVIOR

A buyer's purchase decisions are influenced by four major factors

1. **Cultural Factors**
   a. Sub Culture
   b. Social Class
2. **Social Factors**
   a. Reference Group
   b. Family
   c. Social role/ Social status
3. **Personal Factors**
   a. Age
   b. Occupation
   c. Income
   d. Lifestyle
4. **Psychological Factors**
   a. Motivation
   b. Perception
   c. earning
   d. Attitudes

Cultural Factors:

Cultural factors have the deepest influence on consumer Behavior. It is the most basic fundamental determinant of a person's wants and behavior. From the time of birth a child growsup in a society learning a certain set of values, perceptions, preferences, behavior and customs,through a process of socialization involving the family and other key institutions.

Marketers are always trying to see if there is a cultural shift and develop products accordingly. Some of the cultural shifts are: Both men & women working – leisure time increase- purchase of time saving appliances like washing machine, vacuum cleaners etc., **Sub-culture:** Each culture will contain smaller groups of sub culture that provide more specific identification and socialization for its members. Subcultures include nationalities, religions, racial groups, and geographic regions. When subculture grows large and affluent enough, companies often design specialized marketing programs to serve them.

Social Factor:

Consumer behavior is also influenced by social factors such as Reference groups, Family, Social roles and Social status.

Reference Groups: A person's reference groups are those groups that have a direct or indirect influence on a person's attitude or behavior. Groups having direct influence on a person could comprise of people with whom the person interacts on a continuous basis such as family, friends, neighbors, colleagues. Sometimes a person may also be directly influenced by some social organizations such as religious organizations, professional associations and trade unions. And sometimes consumers are also influenced by groups to which they do not belong or a group whose values or behavior an individual rejects.Each group has an "Opinion Leader". An Opinionleader is the person in informal, product related communications who offers advice or information about a specific product or category, such as which of several brands is best or how a particular product may be use.Marketers try to reach opinion leaders by identifying demographic and psychographic characteristics associated with opinion leadership, identifying the media read by opinion leaders, and directing messages at opinion leaders.

Family: Members of the buyer's family can exercise a strong influence on the buyer behavior. Marketers are interested in the roles and relative influence of the husband, wife, children and parents on the purchase of a large variety of products and services. The marketer should know which member normally has the greater influences on the purchase of a particular product or service.

The following observation made:

Category	: In the purchase of products
Men dominate	: Automobiles, TV, Computer, Policies
Women Partnership	: Washing machines, Kitchen & Home appliances Equal
	: Housing, outside entertainment

So it is the responsibility of the marketer to develop a marketing communication which may be directed directly at the particular influencing personality at the various stages of the buying process.

Social Role/ Social Status: A person participates in many groups – family, clubs, and organizations. The person's position in each group can be defined in terms of role and status. A role consists of the activities a person is expected to perform. Each role carries a status. People choose products that reflect and communicate their role and actual or desired status in society. Company president often drives Mercedes, wear expensive suits and drink expensive wines. Marketers must be aware of the status symbol potential of products and brands.

Personal Factors:

Age & Stages of life-cycle: People's choice of goods and services changes over their lifetime. This change can be observed right from childhood to maturity especially in taste and preferencesrelated to clothes. The stages of lifecycle can be said to be a psychological feeling of a certain transformation taking place as they go through life and experiencing sudden changes, in the consumption pattern.

Occupation: A person's occupation has a direct effect on his choice of goods and services. Marketers will have to identify which occupational group will be interested in their products and work out marketing strategies to communicate about their products and service to the relevant occupational group and induce a positive buying motive in the particular consumer.

Income: Income, savings, credit and assets are the elements of a person's purchasing power. However this must be backed by the willingness to buy. With increase in per capita income andimproved standard of living, a willingness on the part of the consumer to purchase products is noticed. Marketer has to do proper market analysis and research then promote their products andservices so as to motivate people to purchase the same.

Lifestyle: A person's lifestyle refers to the person's pattern of living expressed through activities, interests and opinions. A marketing manager will have to work out a marketing strategy which will indicate a relationship between a product and lifestyle of the product user.

Psychological Factors: The starting point for understanding consumer behavior is the stimulus- response model. Marketing and environmental stimuli enter the consumer's consciousness. A setof psychological processes combine with certain consumer characteristics to result in decision processes and purchase decisions.

- Motivation: It is said to be the inner drive that is sufficiently pressing and directs theperson to seek satisfaction of the need. – Maslow's need hierarchy theory.
- Perception: It is the process of selecting, organizing and interpreting to events happeningin environment.
- Learning: Learning describes changes in an individual's behavior arising from experience.
- Attitudes: Attitudes is a person's enduring favorable or unfavorable cognitive evaluation,emotional feelings and action tendencies towards some object or idea.

QUESTION BANK – UNIT – 2

PART – A		CO	Blooms Level
1	Predict the full form of STP	CO2	L6
2	Assess the meaning of Niche Marketing	CO2	L5
3	Simplify the need for customized marketing	CO2	L4
4	Construct the various patterns of market segmentation	CO2	L3
5	List the types of Brand Loyalty status	CO2	L4
6	Distinguish between differentiated and undifferentiated market coverage	CO2	L4
7	Mark the importance of USP.	CO2	L5
8	Explain Positioning	CO2	L5
9	Inspect how reference group influence in buying behaviour.	CO2	L4
10	Compare potential users and first time users.	CO2	L4

PART – B		CO	Blooms Level
1	Interpret the meaning of market segmentation and explain in detail the bases of market segmentation	CO2	L5
2	Construct the various patterns of target market selection in detail	CO2	L3
3	Elaborate in detail on the various factors that influence consumer behavior.	CO2	L6
4	Discuss in detail "The Five stage model" of buying decision process.	CO2	L6
5	Examine how positioning serves as a platform for the brand to reach target customer.	CO2	L4
6	Justify –"Understanding the consumer behavior of the target market is the essential task of the marketing manager."	CO2	L5
7	Prove that 'Segmentation is at the heart of marketing strategy' and examine the importance of market segmentation.	CO2	L5

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SCHOOL OF MANAGEMENT STUDIES

UNIT – III – Essentials of Marketing – SBAA1405

UNIT – 3 PRODUCT & PRICING

Product classifications – Concept of product mix – Branding, Packaging and Labelling – Product – Support Service - Product Lifecycle – New Product Development Process – Pricing – Significance – Factors affecting price of a product – Pricing policies and strategies.

Definition:

"Product can be defined as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need."

- Philip Kotler

Layers of a product:

A product is like an onion with several layers and each of the layers contributes to the totalproduct image. The five layers of a product are: **Table : Layers of a Product**

Layers of a product	Tangible (WashingMachine)	Service (Restaurant)
1.**Core Benefit:** The fundamental service orbenefit provided	Comfort Convenience	Change of mood
2. **Basic Product:** What the consumer recognize it as.	Washing Machine	Restaurant
3.**Expected Product:** Attributes expected by the customers	Features, Style,Quality	Tasty food, Cleanliness, convenience
4.**Augumented Product:** Broader conception of the product/exceeds customer expectation	Guarantee, service & maintenance , freehome delivery	TV, Light music, Package offer, place for family
5. **Potential Product:** new way to satisfy customers & differentiate from competitors.	Free demo at home,call back of performance ofproduct.	Performance of artist, Booking tours, Railways & Airways

CLASSIFICATION OF PRODUCTS:

Products or goods are classified in to several types. They are:

1. Consumer & Industrial Products: Consumer products are those which are meant for the consumption or final use of consumers or house-holds.

Eg: Shampoo, Biscuits, watches, Two-wheelers.

Industrial goods are those which are used by business buyers as inputs for further commercial processing. Eg: raw materials, spare-parts, equipments or machinery.

2. Durable & Non-Durable products: Durable products are those tangible products that last longer or they do not get exhausted even after repeated use.

Eg: Chair, Car, Refrigerator, Utensils.

Non-Durable products are those which get exhausted with a single or few uses.
Eg: Food items, Soft drinks, Soap, Toothpaste.

3. Convenience, Shopping and Specialty products:

Convenience goods are those products which are bought with the minimum of efforts, at short notice and from convenient location.

These products have features such as – purchase at convenience location - full knowledge of products- keen competition among producers and are perishable – in nature.

Examples are all those articles sold by grocers – a wide range from cigarettes to medicines like soaps, cosmetics, bakery products, papers and so on.

Shopping goods are those where consumers devote considerable time in making selection of those before they buy. The consumers want to compare a quality, price & style in several shops before they buy.

The basic features of this product are – they are durable, higher unit price, comparison in selection, pre-planned purchase, and existence of exclusive stores.

Examples: Office & house-hold furniture, automobiles, audio & audio-visual sets, refrigerators, jewelleries etc.,

Specialty goods are those which enjoy certain special features and special efforts are made in their purchase. These products have unique characteristics and brand identification calling for special efforts.

The special features are – full knowledge of products, bias on a particular brand, limited demand, and high unit price.

Examples: Wrist-watches, cameras, cars and so on.

CONCEPT OF PRODUCT MIX:

Product Mix: Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well. All of these product lines when grouped together form the product mix of the company.

The product mix is a subset of the marketing mix and is an important part of the business model of a company. The product mix has the following dimensions

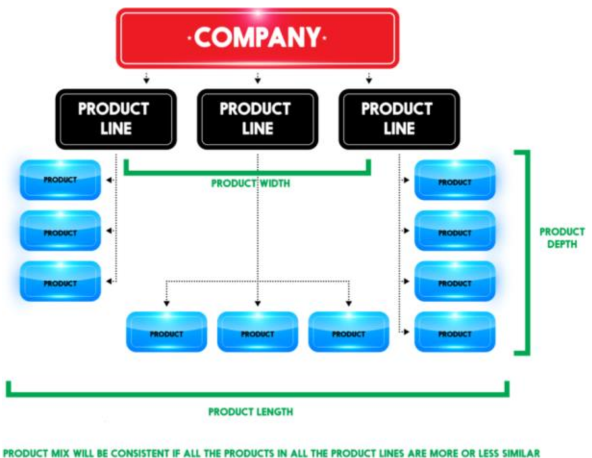
Product Width: The width of the mix refers to the number of product lines the company has to offer.

For e.g., If a company produce only soft drinks and juices, this means its mix is two products wide. Coca-Cola deals in juices, soft drinks, and mineral water and hence the product mix of Coca-Cola is three products wide.

Product Length: Length of the product mix refers to the total number of products in the mix. That is if a company has 5 product lines and 10 products each under those product lines, the length of the mix will be 50 [5 x 10].

Product Depth: The depth of the product mix refers to the total number of products within a product line. There can be variations in the products of the same product line. For example – Colgate has different variants under the same product line like Colgate advanced, Colgate active salt, etc.

Product Consistency: Product mix consistency refers to how closely products are linked to each other. Less the variation among products more is the consistency. For example, a company dealing in just dairy products has more consistency than a company dealing in all types of electronics.



BRANDING:

Branding of products is of strategic and increasing importance. Product brand is an associated attribute and is so significant that due weight age is to be given in product policy and strategy formulation. Brand though is a name, plays more important role. Brand is a broad term encompassing most ways of identifying a product. A brand is a product image, a quality, a value, a personality.

Branding is the process of finding and fixing the means of identification. It is nothing but naming the product like naming a child. Once a product shapes, it needs an identity that is in the form of brand and recognizing it is branding.

Definition:

Brand is "a name, term, symbol, or a design or a combination of them which is intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors."

- American Marketing Association

Brand Mark:

Usually a brand is composed of a name and mark or a mnemonic. A brand name is the part of a brand which can be vocalized. A brand mark or mnemonic is that part of a brand which can not be vocalized but can be recognized easily. This consists of a symbol or a design, vibrant color combinations, lettering.

Eg: Murphy products - Charming baby; every Bank has a symbol in the form of a design or letters. Life Insurance Corporation (LIC) of India has a lamp lit duly protected by two palms. The Air – India has the "Maharaja".

Trade Mark:

When a brand has a legal protection or sanction and the right to its exclusive use by its owner, it becomes a trade mark. Generally the letter "R" is suffixed to the brand name to denote its registration and legal sanction.

In India, brands can be registered as trade-marks under Trade and Merchandise Mark Act of 1958 provided it fulfills the conditions of sections 11 and 12 of the Act. The conditions are:

- That it is not likely to deceive or cause confusion
- That it is not contrary to any law in force that it does not contain obscene matter.
- That it does not hurt the religious sentiments or feelings of any class or section of citizens.
- That it is not similar to any existing trade-mark.

Selecting a Brand Name:

The key to create a brand is to be able to choose a name, logo, symbol, package design or other attributes that identifies the product and distinguishes it from others. These different components of a brand that identify and differentiate are called brand elements. Brand elements come in many different forms. A variety of brand name exist they are:

1. Company name is used for all products. Eg: GE, PHILIPS.
2. Individual brand name to a new product that is unrelated to the company name, Eg: HLL – Hamam, Lifebouy.
3. Brand names based on people. Eg: Saravana stores, Jeyachandran.
4. Brand name based on places. Eg: British Airways, Indian Airlines.
5. Brand name based on Animals or Birds. Eg: King fisher, Tortoise, Anil.
6. Brand name based on other things or objects. Eg: Shell , Apple computers.
7. Brand names that use words with inherent product meaning. Eg: All out, Good night, Mother’s Recipe, Boost.
8. Brand names that suggest important attributes or benefits. Eg: Fair & Lovely, Fast Relief, All clear.

REQUISITES OF GOOD BRAND NAME:

1. It is easy to pronounce and remember.
2. It is short and sweet.
3. It projects product qualities.
4. It points out the producer.
5. It is original.
6. It is easy to promote.
7. It is legally protectable.

BRAND CLASSIFICATION:

There are different ways in which brands are classified. The most obvious ways are three namely.

1. Individual and Family brand.
2. Manufacturer and Distributor brand.
3. Regional and National brands.

1. **Individual and Family brand:** Individual brand names are those where each product has a special and unique brand name. Eg: Surf, RIN, and Wheel – HUL. Individual branding is the best tactics of successful marketing. However it has special promotional problems, as the producer or advisor is to promote each individual brand separately.

   Family brand names are used in a product-line of a company. Eg: " Kissan"known for squashes, syrups, ketchups, sauces and jams, Similarly "Maggi". This reduces promotional cost considerably. However a failure in any line is sufficient to damage the whole image built up.

2. **Manufacturer and Distributor Brands:** A brand which is owned by manufacturer or is registered under manufacturer's name is manufacturer's brand. This is usually the case with big sized concerns known for equality production with wide network that they sell their products under their own names. All big business houses in India like "TATA".

   Distributor's brand or private brand is owned by the distributor or is registered under the name of the distributor. It is called as private because the producer or the manufacturer does not come into picture at all. Eg: BATA Company is selling the products of so many small producers under their brand name. It speaks of the markets standing of the middlemen than the manufacturer.

3. **National and Regional Brands:** A National brand is one which is identified by the people as one through-out the nation. Eg: Lipton's "Dalda" brand vanaspati.

   If the same vanaspati is identified in different states by varying brands it is regional brand.

Advantages of Branding :

To consumers:

1. It assures quality and value.
2. It evaluates status.
3. It saves time and effort.
4. It gives trade and legal protection.

To marketers:

1. It is a massive asset.
2. It is a promotional tool.
3. It protects market.
4. It is an antidote for survival of middlemen.
5. It is a means of identification.
6. It facilitates product-line expansion.

Disadvantages of Branding :

To consumers:

1. It creates confusion and chaos.
2. It makes loosing sight of better products.
3. It hikes product prices.

To marketers:

1. It involves commitment.
2. Possibility of brandlessness.
3. Branding is expensive.

PACKAGING:

Packaging is often called the hidden “P” or the “5th P” of marketing mix. This gives a clear idea as to how important packaging is to marketer.

Definition: Packaging is defined as “the activities of designing and producing the container or wrapper for a product, this container or wrapper is called package.

Package can be broken in to three different categories:

1. Primary Package: It is the wrapper or container which is immediately next to the product.

Eg: The oil bound tissue paper next to a soap or biscuit.

2. Secondary Package: This refers to the material that protects the primary package.
Eg: Carton cover for a soap.

3. Shipping Package: This is also called territory packaging. This is necessary for storage, identification or transportation.

Eg: Cardboard box etc.

Package Design:

A well designed and attractive package is an ever present "Shelf Salesmen" for the retailers. The package design itself can act as a brand. A good package is:

1. Economical – to manufacturer, to fill, to store

2. Functional – in transit, in store, at home

3. Communicative – of brand, of product, of performance, of usage

4. Attractive – in color, in design, in graphic impact.

Functions of Packaging:

1. Packaging is a sales tool.
2. It identifies the maker as well as the product and carries the brand name.
3. The packaging label informs the buyer about inner contents and how to use them.
4. It is the biggest advertising and promotional tool.
5. It encourages re-purchase. (Pet bottle)
6. It facilitates retailer's functions.
7. It creates product image & individuality.
8. It enables easy display.(Sachets are hung from a rool)

Problems with packaging:

1. Unless the package is transparent the buyer can not judge the contents by appearance.
2. If quality information on the package label is absent, the buyer has to purchase almost blindly.
3. Specific (required) quantity may not be sold (ie, 100ml may be required but 80ml may be sold) when packed.
4. There is no feasible way to check weight and volume of the contents unless a buyer opens the package to ascertain the weight.
5. Package design will look like large volume but inside the content will be small.
6. The color of the package will be different from color of the product.
7. Packages may creat health hazards for consumers. Certain

Attributes of a good package:

A package should:

1. Protect the content from breakage or spoilage.

2. be easy to open, dispense from and close.

3. be safe to use.

4. Keep the product from deteriorating.

5. Be of proper size and shape.

6. be reusable, able to be recycled or be bio-degradable.

7. be economical.

8. be available in the sizes appropriate to the market segment served.

LABELING

Definition: "Label is a part of the product which carries verbal information about the product or the seller. It might be a part of the package or it might be a tag attached directly to the product."

Label may be a small slip, printed statement which gives necessary information to the consumers. The act of attaching or tagging the labels is known as labeling.

Types of Labeling:

A product label may be either descriptive, informative, grade designating or a combination of these. Labels are fixed to products to identify them and to describe their ingredients, quantity, quality and other characteristics.

Descriptive is one that describes the contents of the package or the ingredient of the product. Informative includes descriptive material – how the product is made, how to use for better results. Grade designates the ISI mark to which the product confirms.

Functions of Labeling:

1. It helps the producer to give clear instructions about the use of the product.
2. Price variation done by middlemen can be avoided as price is printed.
3. Manufacturer name is known to the buyer hence an unseen relation is developed.
4. It encourages the manufacturer to make standardized products.
5. Buyers can easily identify the product.

Information provided by a Label:

1. Brand Name
2. Address of the producer
3. Gross & Net quantity of the content
4. Ingredients in the product
5. Direction for use
6. Precautionary measures (Warning)
7. Nature of the product (Veg, Non-Veg)
8. Date of packaging & Expiry
9. Maximum Retail Price (MRP)

Advantage of Labeling:

1. It helps in grading the product
2. It facilitates buyers to pay the right price
3. It gives details of the characteristics of a product
4. It helps advertising activity / it acts as media to popularize the product.
5. It gives guarantee for the product.

Disadvantages of labeling:

1. It is waste if the consumer is illiterate or ignorant about the use.
2. It increases the cost of the product.
3. Labeling can be taken up only when the product can be graded and standardized.
4. Its main goal is to popularize the product.

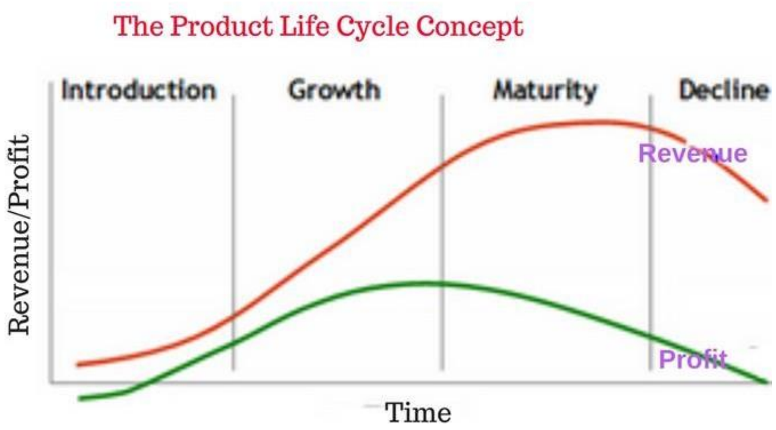
PRODUCT LIFE CYCLE:

The product life cycle is a conceptual representation. It is a product aging process. It is simply a graphic portrayal of the sales history of a product from the time of its introduction to withdrawal.

Stages of Product life cycle:

The product aging process has four stages namely

- Introduction
- Growth stage
- Maturity stage
- Decline stage



1. **<u>Introduction:</u>** It has only proved demand and not the effective demand. It is characterized by:

   a. Low and slow sales:

      - Delay in expansion.
      - Delay in availability.
      - Consumer resistance.

   b. Highest promotional expense.

      - To create demand.
      - To inform
      - Inducing trial.

   c. Highest product prices.

      - Initially the price will be high
      - Lower output and sales – absorbing fixed cost
      - Higher margin to support higher promotional expenses.
      - Very few competitors.

2. **<u>Growth:</u>** Product accepted sales rises – price remain higher to recover the cost – high sales + high price = profit rises sharply – leads to competition – product improvement.

   a. Sales rises faster:

      - Killing consumer resistance.

- Distribution and retail outlets built well.
- Production facilities streamlined.

b. Higher promotional expenses:

- Advertisement moves on brand identification.
- Special offer, concession, allowances to dealers is given.

c. Product improvement:

- Originator paved the pattern of market – Competitor becomes stronger by emerging with modified products – may also reduce price – urge the originator to further improve the product.

3. **<u>Maturity:</u>** Market becomes saturated – demand satisfied – Distribution channel full – Production cost reduced. Efforts made to extend the maturity stage – much longer than the growth stage.

a. Sales increase at decrease rate: Market saturation – demand is mostly for repeat sales – Competition intensives – Prices tend to fall – Selling effort is aggressive – firms employ extensive strategies to retain market share.

- Development of new market
- Development of new uses.
- Development of more frequent use.
- Development of wide range of products.
- Development of style change. – pen, car, watch, etc.,

b. Normal promotional expenses: Promotional spend is very normal – Weaker competitors leave the market to longer and stronger manufactures.

c. Uniform and lower prices:

4. **<u>Decline:</u>** Actual sales begin to fall.

- New product competition.
- Change in consumer taste & preferences.
- Price fall.
- Market for the product - suppressed by technological change.

a. Rapid fall in sales – eg: Calculators.

b. Further fall in price – Liquidate the stock (maximum benefit at least profit margin)

c. No promotional expenses.

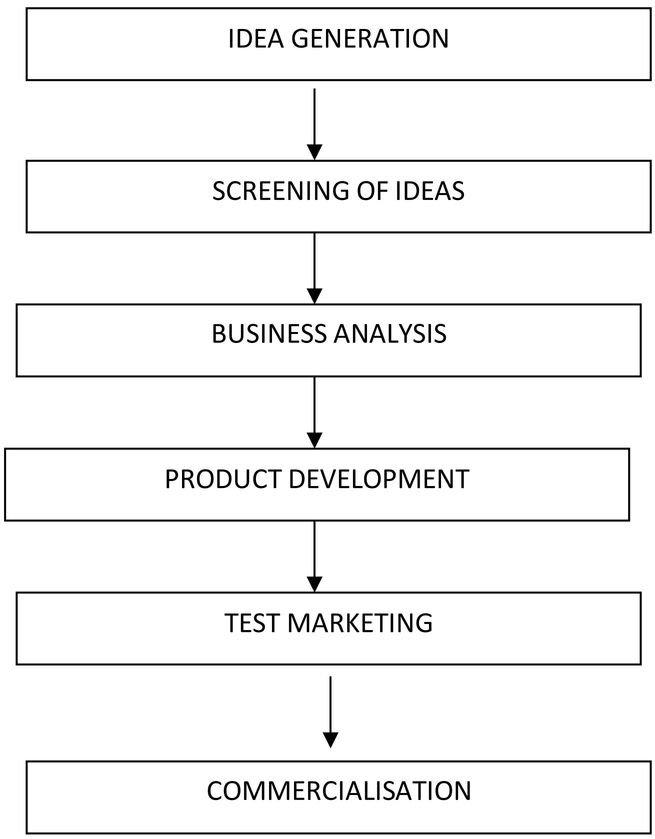
NEW PRODUCT DEVELOPMENT:

A new product is product that is new to the company introducing it even though it may have been made in some form by others. Eg: Fiama De Vils shampoo and soap from ITC.

Any product that consumer treats as an addition to the available choices could be considered as new product. Eg: Medimix sandal soap.

Steps in new product development:

The function of planning and developing new products involves six steps they are:



Idea Generation:

1. Internal Sources
    a. Basic Research
    b. Manufacturing
    c. Sales people
    d. Top Management
2. External Sources
    a. Secondary sources of information
    b. Competitors
    c. Customers
    d. Resellers
    e. Foreign markets

Screening of Ideas:

1. Reasons of screening:
    a. All good ideas are not equally promising.
    b. Resource Constraints.
    c. Product development is a continuous process.(competition & technological important)
2. Screening Procedures:
    a. Determine the product idea is compatible with the company's objectives.(Profit, sales company image)
    b. Determine the product idea is compatible with the company's resources. (Raw materials, lab our, and other production facilities.)

Business Analysis:

a. Demand Analysis – Product demand, projection of future sale.
b. Cost Analysis – Cost involved in product (manufacturing & marketing)
c. Profitability analysis –

1. Break even analysis
2. Rate of return analysis
3. Pay-out analysis
4. Discounted cash flow analysis.

Product Development:

1. Technical Development
   a. Applied engineering research – product drawing design, building prototype(first design)
   b. Manufacturing methods research – laboratory compounds, full product commercially acceptable
2. Market development
   a. Product concept testing.
      - Consumer preference testing
      - Concept testing.

   Developing other elements of marketing mix
      - Product branding
      - Product packaging
      - Product labeling

Test Marketing:

Test marketing is conducted to predict sales or profit.

The need for test marketing:

1. To improve the knowledge of potential product sales.
2. To pretest alternative marketing plans.
3. To predict product faults.
4. To know reactions of competitors.

Problems in test marketing:

1. In accurate results.
2. It is an expensive exercise.
3. It is time consuming.
4. It lets the tips to competitors.

Commercialization:

Actual introduction of the product in to the market place. The following are taken care.

- Raw material supply is taken care.
- Channel of distribution.
- Manufacturing facilities.
- Sales people are hired.
- Advertisement.

Pricing: Objectives: methods

"Price is the exchange value of goods and services in terms of money."
The term price denotes money value of a product."

Objectives of pricing:

Pricing objectives vary from firm to firm. Generally the firms have multiple pricing objectives,

They are:

1. To achieve target rate of return on investment.
2. To achieve price stability.
3. To meet or prevent competition.
4. To maintain or improve market share.
5. To maximize profit.
6. To survive in the market.
7. To built public image of the firms.

Factors affecting price of a product:

Before making policy, strategy and technique of determining price of goods or services, a marketer should consider both internal and external environmental factors of the firm that affect the pricing. All the elements of marketing mix have close relationship with environmental factors. Among them, pricing is perhaps a very sensitive as well as explosive power. Business firm itself, consumers or customers , channel members, competitors, government and economy are the major factors that play significant role at different stages in the process of pricing. These factors can be discussed as follows:

1. Internal or controllable pricing factors:

Under the internal organization factors include the objective of the business firm, production and distribution cost, marketing mix, nature of products, firm's expectations and reputation, etc. They are called internal pricing determinants and can be controlled by marketer.

a. Organization's objectives: The objectives of a marketing organization greatly influence pricing. A manufacturing company, at the introductory stage of its new product, determines low price to bring them to markets. But some other firms may determine high introductory price of their products to recover their investment or to get expected return from the investment. Whatever the objective of the company may be, it affects price determination.

b. Cost of manufacturing and marketing: The manufacturing and distribution cost greatly as well as directly affects pricing. If the cost for production and distribution is high, it becomes impossible to determine low price.

c. Other marketing mix components: The other components of marketing mix i.e. product, place and promotion prepared by a business organization all affect pricing. The nature of products does not only make it possible bust also make it is essential to determine price of the product. Similarly, reputation or goodwill of organization also affect price determination. Likewise promotion cost also affects pricing decision.

2. External or independent pricing factors: The external factors include customers, channel members, competitors, government, economic condition of country etc. These are independent factors and cannot be controlled by marketer.

a. Consumers and market: Consumers and target markets also affect pricing of products. Those who determine price should pay careful attention to the elements of buying behavior and methods. More attention should be given to the characteristics of target market, condition of the products, consumers' perception, thought and attitudes towards the price and quality of the products etc.

b. Channel members: Pricing is also affected by the members of distribution channel. The necessity and objective of channel members matching with pricing policy of the marketer can make distribution possible. The discount given to wholesalers or retailers is the important component in the profit to middlemen. So, the price determiner should get knowledge about the distributors' attitude towards the price and what price will they sell the products to consumers. Without written agreement, manufacturers cannot provide authority or direct the middlemen to fix final price, but can give suggestions.

c. Competition: Price of most of products is determined by considering the competition in market price. The company with having large market share becomes the price leader. When it increases or decreases price of its products, other company also do the same or adopt the same policy. But if there is no domination or influence of any single company in the market, the marketer analyses and evaluates the prices of all main competitor companies, collects reactions and draws conclusion. In this way, competition among manufacturers affects price determination.

d. Government: Government policy and decisions also affect pricing. The governments of each country have their own policy, decisions, rules and regulations. Price should be determined considering price control policy of government, sale tax, income tax policy etc. Prices of some products are controlled by government direction and the government itself determines prices of some products.

Pricing methods:

There are three broad classes or methods that can be used for pricing the products. They are:

1. Cost based pricing method: Cost establishes the floor for the possible price range and there are two commonly used pricing methods to set the product prices. These are:

a. Cost plus pricing.

b. Target return pricing.

2. Competition based pricing methods: Many firm set prices largely in relation to the prices of their competitors. There are two commonly used competition based pricing namely:

a. Going rate pricing.

b. Sealed bid pricing.

3. Demand based pricing: There are two important demand based methods namely:

a. Demand modified break even analysis pricing.

b. Perceived value pricing.

Pricing Strategies:

- **Penetration Pricing**: The seller tries to penetrate the market with a low price and increase the price subsequently with increase in demand.
- **Skimming Pricing:** The seller tries to skim the profit from the market by charging a high price in the initial stages and lowers the price in the long run.
- **Captive Pricing:** A special price is offered to loyal customers.
- **Value based pricing:** Sellers sets the prices according to the value perceived by the customer of the product.
- **Bundle Pricing (Combo):** Sellers offer a bundle or package of different products or services for a lower price than they would charge if the customer bought all of them separately.
- **Psychological Pricing:** Prices are set according to emotional appeals that influence buying decisions. Eg: Prestige pricing, Odd pricing,
- **EDLP (Every Day Low Price):** Retail stores offer low prices to customers every day in comparison with competitors to promote sales and increase footfall without any special occasion, event or discount.
- **Discounting Pricing:** It involves reduction of price from MRP for performing certain activities. It includes cash discounts, quantity discounts and seasonal discounts.
- **Discriminatory Pricing: Seller** sells a product at two or more prices based on customer segments, location, time and availability of product.
- **Promotional Pricing:** Prices are set below MRP to stimulate purchases and increase awareness. It includes - Pricing for special events, low interest, Financing, Cash rebates, Warranties & Discounts.
- **Going Rate Pricing:** Price is set on the basis of prevailing market rate.

DISCOUNTS & ALLOWANCES:

Discounts:

1. Trade discount: It is a kind of functional discount. It is given to the buyers buying for re-sale.Eg. Wholesalers or retailers. Thus, it is a reduction made from the quoted price of an article. It is allowed to every purchaser whether the purchase is made in cash or in credit. The actual rate of trade discount is not fixed but varies widely.(2 ways: 15% or 10% + 5%.)

2. Quantity discount: It is a deduction offered from the list price by a seller in order to stimulate the customer to buy in large quantities.

3. Cash Discount: It is allowed when payment is made on or before a particular date. It is in addition to the trade discount and not in place of it.

Eg: Price of the good –	Rs.1000/-
Less trade discount -	Rs.145/-
	Rs.855/-
Less cash discount (10%)	Rs.85.50/-
Net amount	Rs.769.50/-

4. Seasonal Discount: It is the deduction allowed over & above the trade discount in case of products which have only seasonal demand.

Allowances:

The manufacturer may offer allowances to distributors for promotional activities Eg: Advertising allowances, window display, free samples, free display materials, training in sales demonstration etc,

It amounts to a price reduction of an amount spent by the distributor in performing promotional services.

QUESTION BANK – UNIT – 3

	PART – A	CO	Blooms Level
1	Explain about product.	CO3	L5
2	Identify the different layers of a product	CO3	L3
3	Compare consumer and industrial products.	CO3	L5
4	Propose an example for product mix, width, depth and line.	CO3	L6
5	Simplify on Trade mark	CO3	L4
6	Predict the advantages of branding	CO3	L6
7	Propose the attributes of a good package	CO3	L6
8	List the information's provided by a label.	CO3	L4
9	Recommend the need for test marketing.	CO3	L5
10	Mark few examples for psychological pricing.	CO3	L5
11	Inspect the functions of packaging.	CO3	L4
12	Distinguish between manufacturer and distributor brand.	CO3	L4

	PART – B	CO	Blooms Level
1	Compile and explain with examples on the various classification of products	CO3	L6
2	Prove how 'Packaging is considered as '5th P of marketing mix'	CO3	L5
3	Elaborate on the different stages of product life cycle	CO3	L6
4	Discuss in detail the various internal & external forces that influence the pricing strategy of a firm	CO3	L6
5	Identify how branding plays an important role in the formulation of marketing mix and marketing strategy.	CO3	L3
6	Evaluate the role of branding and packaging in the marketing of products.	CO3	L5
7	Discuss in detail the steps involved in New Product Development.	CO3	L6
8	Discover the various pricing strategies adopted by various business organizations.	CO3	L4

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SCHOOL OF MANAGEMENT STUDIES

UNIT – IV – Essentials of Marketing – SBAA1405

UNIT – 4 PROMOTION AND CHANNELS OF DISTRIBUTION

Promotion – Nature and Importance – Promotion mix – advertising, personal selling, public relations and sales promotion – Channels of distribution – Types of distribution channels – Functions of middlemen – wholesaling and retailing – types of retailers – e-tailing – physical distribution.

PROMOTION

Promotion is a form of communication with an additional element of persuasion to accept ideas, products, and services and hence persuasive communication becomes the heart of promotion, the third element of marketing-mix.

Promotion is the process of marketing communication to inform, persuade, remind and influence consumers in favour of a product or service.

Promotion has following three specific purposes:

- It communicates marketing information to consumers, users and resellers.
- It persuades and convinces the buyer and influences his/her behavior to take thedesired action.
- Promotional efforts act as powerful tools of competition, providing the cutting edge ofits entire marketing programme.

Definition :

Promotion is defined as the co-ordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas. Thus promotion is persuasive communication to inform potential customers of the existence of products, to persuade and convince them that those products have want satisfying capabilities.

- Promotion offers the communication of the benefits to consumers who buy a bundle of expectations to satisfy their economics, psycho-social wants and desires.
- Promotion is persuasive communication and also is a tool of competition. It is a form of non-price competition.
- Promotion is responsible for awakening and stimulating consumer demand for

a Product or Service. It can create and stimulate demand, capture demand from rivals and maintain demand even against stiff competition. While speaking in favour of promotion, it is taken, for granted that the product has the capacity to satisfy consumer expectations and can fill their wants and desires.

Importance of Promotion:

- **Sales of the goods in imperfect market:** In the imperfect market conditions the product can be sold easily only on the basis of price differentiation. It is the promotional activity that provides information about the differences, characteristics and the multi-use of the products of various competitions in the market.
- **Filling the gap between producers and consumers:** Promotion helps in filling the gap between producers and consumers. Due to the tough market condition, mass selling is quite impossible without promotional activities.
- **Facing intense competition:** Promotion helps in facing intense competition in themarket.When a manufacturer increases his promotional spending and adopts an aggressive strategy in creating a brand image; others are also forced to follow the suit. This leads to 'promotional war'.
- **Large scales selling:** Promotion helps in the large selling of goods and services. Sales promotion is the result of large-scale production. Large scale selling is possible with the help of promotional activity.
- **Higher standard of living:** Promotion helps in the rising standard of the people. The promotional activities increase the standard of living by providing the better goods at a lower rate due to large scale production and selling. It help to increase the standard of living in a good way.
- **More Employment:** Promotion helps to create more employment opportunities. People can gain employment opportunity with the help of promotional activities. Promotional activities cannot be performed without the help of an effective sales force and the specialists in various fields.
- **Increased trade pressure:** Promotion helps to increase trade pressure in the market. The growth of large scales retailer, such as supermarkets, chain stores, etc., has brought greater pressure on manufacturers for support and allowances.

Promotional activities help to decrease the trade pressure.

- **Effective sales support:** Promotion helps in the sales support of the product. Sales promotion policies are under the supplement to the efforts and impersonal salesmanship. Good sales promotion materials make the salesman's effort more productive.
- **Increased speed of product acceptance:** Promotion helps to increase the speed of the products acceptance. Most of the sales promotion devices such as contests, premium coupons, etc. can be used faster than other promotion methods such as advertising. The increase in rapid speed of product acceptance has occurred with the help of promotional activities.

Components of Promotion Mix:

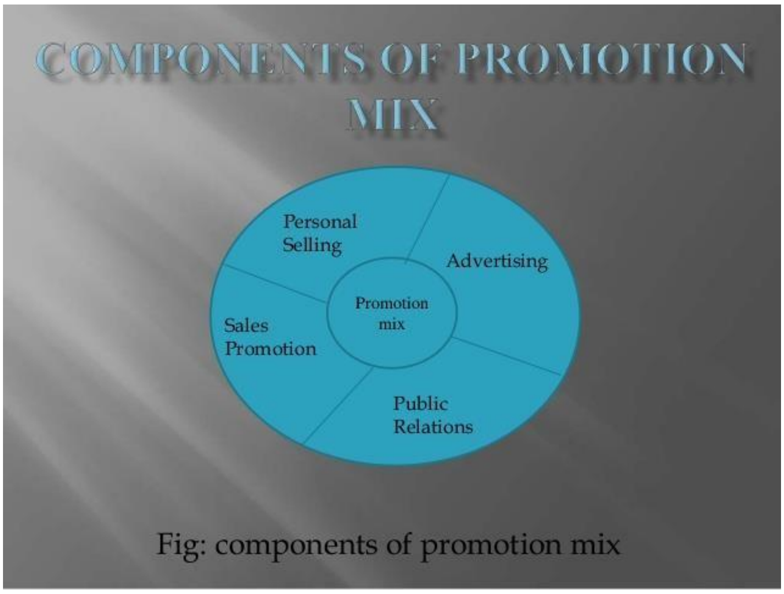

Fig: components of promotion mix

Advertising: Advertising is the major components of promotion of products. It is an impersonal mass communication that the sponsor has paid for and in which the sponsor is clearly identified .The most familiar forms of ads are found in the broadcast (TV and radio) and print (newspapers and magazines) media .However, there are many alternatives, from direct mail to billboards and from the telephone directory to a yellow page.

Personal selling: personal selling is the direct presentation of a product to a potential customer by a representative of the organisation for selling it. Personal selling takes places face to face or over the phone and it may be directed to a middleman or a final consumer.

It plays the vital role in the promotion of products.

Sales promotion: Sales promotion is demand stimulating activity designed to supplement advertising and facilitate personal selling. It is paid for by the sponsor and frequently involves a temporary incentive to encourage a purchase. Many sales promotions are directed at consumers. They are designed to encourage the company's sales force or other members ofits distribution channel to sell its product more aggressively. Sales promotion includes activities such as contests, trade shows, in –store displays, rebates, samples, premiums, and coupons.

Publicity: publicity is a special form of public relations that involves news stories about an organisation or its products. It involves personal or impersonal message that reaches mass audience through the media. But there are several things to distinguish publicity from advertising: it is not paid for, the organisation that is the subject of publicity has no control over it, and it appears as news and therefore has greater credibility than advertising.

Public reaction: public reaction encompasses a wide variety of communication effort to contribute to generally favourable attitudes and opinions towards an organisation and its products. Unlike most advertising and personal selling, it does not include a specific sales message. The targets of the public reaction may be customers, stockholders, a government agency, or a special-interest group. Public relations can take many forms, including newsletters, annual reports, lobbying, and sponsorship of the charitable or civic event. Sales Promotion Tools and Programmes:

Sales promotion techniques are known as promotion tools and the mode of their application isknown as sales programme.

These tools and programmes are divided under two heads:

1. Tools and programmes for consumer sales promotion.
2. Tools and programmes for dealer/distributor sales promotion

1. Tools and Programmes for Consumer Sales Promotion:

i. Sample: Also known as consumer sample or free samples and given to consumers to introduce a new product or to expand the market. The consumers are expected to be convinced to use the product.

ii. Demonstrations or Instructions: These are instructions given to aware the consumers about using the product. This method may be used in products like washing machine.

iii. Coupon: It is a certificate that reduces the price. When a buyer gives a coupon to the dealer or retailer he gets the product at lower price. It gives expected result.

iv. Money-Refund Orders: The technique indicates refund of full purchase price if the buyer so wants. It is helpful in the introduction of a new product. Refund offer creates additional interest and increases sales considerably. It is a good device for creating new user and to strengthen the brand loyalty.

v. Premium (Gift) Offers: These are temporary price reductions, which appeal to bargain instinct. Towels, dinner ware, hair-brushes, key-chains, artificial flowers, ball pens, toilet soaps, bathing soaps, blades, are given as in-pack premiums. BUY ONE GET ONE, BUY TWO GET ONE FREE are the usual offers made to the customers to appeal them.

vi. Price-Off: The price off label is printed on the package that is a certain amount is reduced from the actual price to woo the customers. It gives a temporary discount to the consumers.

vii. Contests or Quizzes: These are held to stimulate consumer’s interest in the product. In these contests, participants compete for prizes on the basis of their skill or creative ideas. In this type of sales promotion, prizes are offered in kinds (especially the products of the company) and sometimes a payment is given to the participants.

viii. Trading Stamps: Trading or Bonus stamps are issued by retailers to customers who buygoods from there. The number of stamp given to a buyer depends upon the amount of purchases made by him. Stamps are issued at predetermined percent rate of the purchase amount.

These stamps are given free of charge and the customers can redeem them to obtain products out of the specified list. This technique induces customer to buy their requirements from the retailers who offer such stamps. The purpose is to increase customer loyalty.

ix. Fairs and Exhibitions: Trade shows, fashion shows or parades, fairs and exhibitions are important technique/tools of sales promotion. They provide a forum for the exhibitions or demonstration of products. Free literature can be distributed to introduce the firm and its products to the public.

Fairs and exhibitions are organized usually by big firms or trade associations. At these fairs and exhibitions, business firms are allotted stalls wherein they display their products and attract the customers through gifts, special concessions and free demonstrations of technical and specialty products.

x. Public Relations Activities: These include greetings or thanks in newspapers, donating space for noble causes, offer of Privileged Citizen Card, etc. Their purpose is not to create immediate demand or to increase sales. They are designed to create a good image of the firm in the society.

xi. Exchange Scheme: This technique offers to exchange the old product with new one in payment of a fixed amount which is less than the original price. For example, exchange of oldBlack & White Television for Colour Television by paying rupees 8000 only (original price is rupees 10000) was offered by a particular producer of colour TV sets.

2. Tools and Programmes for Dealers/Distributors Sales Promotion:

i. Free Display: There is provision of free display of material either at the point of purchase (POP) or at the point of sale (POS), depending on one's view point. Display reaches consumers when they are buying and actually spending their money.

ii. Retail Demonstrations: These are arranged by manufactures for preparing and distributing the products as a retail sample, for example, Nescafe Instant Coffee was served to consumers for trying the sample on the spot of demonstration regarding the method of using the product.

iii. Trade Deals: These are offered to encourage retailers to give additional selling support tothe product, e.g., tooth paste sold with 30% to 40% margin.

iv. Buying Allowance: Sellers give buying allowance of a certain amount of money for a product bought.

v. Buy-Back Allowance: It is offered to encourage repurchase of a product immediately afteranother trade deal. A buy back is a resale opportunity.

vi. Advertising and Display Allowance: These are also offered to retailers to popularise the product and brand name of the manufacturer.

vii. Contests: Sales contests are held for salesmen. These are usually aimed at increasing the performance of the sales persons.

viii. Dealer Loader: A gift for an order is a premium given to the retailer for buying certain quantities of goods or for special display done by the retailer.

ix. Training for Salesmen: Periodical training programmes are conducted by dealers and distributors for salesmen to give them a better knowledge of a product and its usage. Dealer sales promotion provides the selling devices. Sales promotion devices at the point of purchaseinform, remind, and stimulate buyers to purchase products.

People who see these devices are in a buying mood and thus they can be easily persuaded to buy those products. Tell tags are informative labels affixed on the product, describing in detail the features of the product and its unique selling points. Counter, top racks, posters, mechanised signs are other point-of purchase displays.

ADVERTISING

Introduction & Definition:

Advertising is the action of calling publicattention to an idea, good, or service through paid announcements by an identified sponsor.

According to Kotler – "Advertising is any paid form of non-personal presentation & promotion of ideas, goods, or services by an identified sponsor."

According to the Advertising Association of the UK – "Advertising is any communication, usually paid-for, specifically intended to inform and/or influence one or more people."

A simpler (and modern) definition of advertising can be – A paid communication message intended to inform people about something or to influence them to buy or try something.

Characteristics of Advertising

- **Paid Form:** Advertising requires the advertiser (also called sponsor) to pay to create an advertising message, to buy advertising media slot, and to monitor advertising efforts.
- **Tool for Promotion:** Advertising is an element of the promotion mix of an organization.

- **One Way Communication:** Advertising is a one-way communication where brands communicate to the customers through different mediums.
- **Personal or Non-Personal:** Advertising can be non-personal as in the case of TV, radio, or newspaper advertisements, or highly personal as in the case of social media and other cookie-based advertisements.

Types of Advertising: Advertising activities can be categorized into above the line, belowthe line, and through the line advertising **according to their level of penetration.**

- **Above the line advertising (ATL)** include activities that are largely non-targeted and have a wide reach. Examples of above the line advertising are TV, radio, & newspaper advertisements.
- **Below the line advertising (BTL)** include conversion focused activities which are

  directed towards a specific target group. Examples of below the line advertising are billboards, sponsorships, in-store advertising, etc.
- **Through the line advertising** include activities which involve the use of **both ATL & BTL** strategies simultaneously. These are directed towards brand building and conversions and make use of targeted (personalized) advertisement strategies.

  Examples of through the line advertising are cookie based advertising, digital marketing strategies, etc.

<u>Advertising media:</u> Medium is through which the advertising message is conveyed to the consumers. The proper selection of the medium by which the message is to beconveyed must achieve the pre-determined goals.

<u>Kinds of Media:</u>

1. Indoor Advertising:
   a. Press advertising
      i. News paper
      ii. Magazine
   b. Radio advertising.
   c. Television advertising.

d. Film advertising.

2. Out door advertising:

   a. Posters.
   b. Advertising board / Hoarding
   c. Vehicular
   d. Painted display
   e. Traveling display
   f. Electric display.
   g. Sky advertising
   h. Sandwich – man.
   i. Handbills (leaflets)

3. Direct Advertising:

   a. Sales letters.
   b. Circular letters.
   c. Booklets & Catalogues.
   d. Folders.
   e. Package inserts.

4. Promotional Advertising:

   a. Window display
   b. Interior display.
   c. Show-rooms.
   d. Exhibitions.

There are a large number of advertising media. A manufacturer is required to select the best or most appropriate media. The selection of correct media is a complex problem. If the media selected is unsuitable the money spent would be waste. Hence while selecting the media the advertiser has to consider a number of factors. The factors are:

1. The nature of the product.
2. Advertising objectives.
3. Potential market.
4. Business unit.
5. Message to be sent.
6. The extent of competition.
7. Availability of media.
8. Cost of advertisement.

Importance of Advertisingto The Customers

- Convenience: Targeted informative advertisements make the customer's decision making process easier as they get to know what suits their requirements and budget.
- Awareness: Advertising educates the customers about different products available in the market and their features. This knowledge helps customers compare different products and choose the best product for them.
- Better Quality: Only brands advertise themselves and their products. There are no advertisements for unbranded products. This ensures better quality to the customers asno brand wants to waste money on false advertising.

To The Business

- Awareness: Advertising increases the brand and product awareness among the people belonging to the target market.
- Brand Image: Clever advertising helps the business to form the desired brand image and brand personality in the minds of the customers.
- Product Differentiation: Advertising helps the business to differentiate its product from those of competitors' and communicate its features and advantages to the target audience.
- Increases Goodwill: Advertising reiterates brand vision and increases the goodwill

of the brand among its customers.

- Value for Money: Advertising delivers the message to a wide audience and tends to be value for money when compared to other elements of the promotion mix.

Concept of 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.

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.

Features of Personal Selling:

Some important features of personal selling are given below:

- Personal selling involves a face-to-face contact between the salesman and the prospect.

- 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, then, requires outstanding qualities in a salesman; specially the proficiency in selling skills and techniques.

- 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.

- A salesman sells product, by first selling his own idea or viewpoint to the prospect.

  Personal selling, therefore, is the art of convincing the prospect and influencing his mind, in a favourbale way.

- 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.
- 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, therefore, 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, because of 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, therefore, 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.

CHANNEL OF DISTRIBUTION:

Channel of distribution refers to those people, institutions or merchants who help in the distribution of goods and services. Philips Kotler defines channel of distribution as "a set of independent organisations involved in the process of making a product or service availablefor use or consumption".

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.

Channels of distribution provide convenience to customer, who can get various items at one store. If there were no channels of distribution, customer would have faced a lot of difficulties.

Types of Distribution Channels: Broadly, Channel of distribution is of two types viz.,

(1) Direct Channel

(2) Indirect Channel.

1. Direct Channel or Zero Level Channels: When the producer or the manufacturer directlysells 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. Selling through post, internet or door to door selling etc. are the examples of this channel. 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.

Following are the main forms of indirect channels:

(a) Manufacturer-Retailer-Consumer (One Level Channel): This channel involves the use of one middleman i.e. retailer who in turn sells them to the ultimate customers. It is usually adopted for speciality goods. For example Tata sells its cars through company approved retailers. Manufacturer→ Retailer→ Consumer

(b) Manufacturer-Wholesaler-Retailer-Customer (Two level channels): Under this channel, wholesaler and retailer act as a link between the manufacturer and the customer. This is the most commonly used channel for distributing goods like soap, rice, wheat, clothes etc. Manufacturer→ Wholesaler→ Retailer→ Customer

(c) Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three level channels): This level comprises of three middlemen i.e. agent, wholesaler and the retailer. The manufacturers supply the goods to their agents who in turn supply them to wholesalers and retailers. This level is usually used when a manufacturer deal in limited products and yet wants to cover a wide market. Manufacturer → Agent → Wholesaler → Retailer → Consumer

Factors Determining Choice of Channels of Distribution:

Following are the main factors which help in determining the channels of distribution:

1. Product Related Factors: Following are the important product related considerations in deciding on channels of distribution:

(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, nottechnical 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 goodslike industrial or engineering products like machinery, generators like torches while non complex or simple ones can be distributed through long channels.

2. Company Characteristics: Following are the main Company Characteristics offering choice of channel of distribution:

(a) Financial Strength: The companies having huge funds at their disposal go for direct distribution. Those without such funds go for indirect channels.

(b) Control: Short channels are used if management wants greater control on the channel members otherwise a company can go in for longer channels.

3. Competitive Factors: Policies and channels selected by the competitors also affect the choice of channels. A company has to decide whether to adopt the same channel as that of its competitor or choose another one. For example, if Nokia has selected a particular channel sayBig Bazaars for sale of their hand sets, other firms like Samsung and LG have also selected similar channels.

4. Market Factors: Following are the important market factors affecting choice of channel of distribution:

(a) Size of Market: If the number of customers is small like in case of industrial goods, short channels are preferred while if the number of customers is high as in case of convenience goods, long channels are used.

(b) Geographical Concentration: Generally, long channels are used if the consumers are widely spread while if they are concentrated in a small place, short channels can be used.

(c) Quantity Purchased: Long channels are used in case the size of order is small while in case of large orders, direct channel may be used.

5. Environmental Factor: Economic factors such as economic conditions and legal regulations also play a vital role in selecting channels of distribution. For example, in a depressed economy, generally shorter channels are selected for distribution.

Meaning of Middlemen: Middlemen specialize in performing activities that are directly involved in the purchase and sale of goods in the process of their flow from producers to the ultimate buyers. Their position is between the producers and ultimate buyers.

Producers see them as extensions of their own marketing organisations, if such persons would not have been in existence, their own organisations would have to earn on all negotiations leading upto sales to ultimate buyers who in turn consider middlemen as sources of supply and points of contact with producers.

Functions of Middlemen:

In the modern business world, middlemen render the following services/ functions:

- Middlemen are the furnishers of valuable information to the producers about consumer behaviour, the changes in tastes and fashions, etc.
- Middlemen allow the manufacturers to concentrate on production only and relievethem from the botheration of marketing.
- Middlemen render financial help to manufacturers.
- They make available the goods according to the consumers' needs, fashion, tastes, etc.
- Middlemen are an important link between the producers and consumers.

Wholesaling: All the activities involved in selling goods or services to those who buy forresale or business use.

- Excludes manufacturers, farmers & retailers.
- They are also called distributors.
- Pay less attention to promotion, atmosphere & location.
- Transactions are larger than in retailing.
- They are used whenever they perform one of the following more efficiently: selling & promoting, buying & assortment building, bulk breaking, warehousing, transportation, financing, risk bearing, market info & management services & counselling.

Types of Wholesalers

1. **Merchant wholesalers.** Independently owned businesses that take title to the merchandise they handle. Two categories:
    a. Full service wholesalers provide a full line of services. Two types:
        - wholesale sell primarily to retailers
        - Industrial distributors sell to manufacturers.
    b. Limited-service wholesalers offer fewer services than full-service wholesalers.Several types:
        - Cash & carry wholesalers. Limited line of fast moving goods. Sellto small retailers. Do not deliver.
        - Truck wholesalers. Limited line of semi-perishable products. Sell& deliver.
        - Drop shippers. Operate in bulk industries. Do not carry inventory.
        - Rack jobbers. Serve grocery & drug retailers. Bill the retailers onlyfor the goods sold to consumers.
        - Producers' cooperatives. Owned by farmer members & assemblefarm produce to sell in local markets.
        - Mail-order wholesalers. Send catalogs.
2. **Brokers & agents.** Do not take title to goods & perform only a few functions.
    a. Brokers bring buyers & sellers together & assist in negotiation.
    b. Agents represent either buyers or sellers on a more permanent basis than brokers do. Several types:
        - Manufacturers' agents
        - Selling agents
        - Purchasing agents
        - Commission merchants
3. **Manufacturers' & retailers' branches & offices.** Branches & offices dedicatedeither to either sales or purchasing.

4. **Miscellaneous Wholesalers.** A few specialized types of wholesalers are found incertain sectors of the economy.

Retailing: Retail is the final channel of distribution where small quantities of goods (orservices) are sold directly to the consumer for their own use.

Two key-phrases in this definition that separate retail from wholesale are –

Small quantities of goods: Unlike manufacturing or wholesale, the number of goodsinvolved in a retail transaction is very less.

Directly to the consumer: Retail stores are the last channels of distribution where theactual sales to the customer happen.

Importance of Retailing:

- Retailing is important for the creators, customers, as well as the economy.
- Retail stores are the places where most of the actual sales to the customers take place. They act as both a marketing tool for the brands and a support tool for the customersto exchange and communicate important information.
- Besides this, retailing is a great asset to the economy. It provides jobs, adds to the GDP, and acts as a preferred shopping channel during the holiday season.

Retailing Types

Retailing can be divided into five types.

1. **Store retailing:** This includes different types of retail stores like department stores, speciality stores, supermarkets, convenience stores, catalogue showrooms, drug stores,superstores, discount stores, extreme value stores etc.
    - **Specialty Stores:** Carry a narrow product line with a deep assortment within the line. Ex: Athlete’s Foot, Tall Men, The Limited.
    - **Department Stores:** Carry several product lines. Ex: Sears, J.C. Penney, Bloomingdale’s.
    - **Supermarkets:** Relatively large, low-cost, low-margin, high-volume, self-service operations designed to serve the consumer’s total needs for food, laundry, & household maintenance products. Ex: Kroger, Safeway, Food Lion.

- **Convenience Stores:** Relatively small stores located near residential areas, opened long hours seven days a week. Ex: 7-eleven
- **Discount Stores:** Sell standard merchandise at lower prices by accepting lower margins & selling higher volumes. Ex: Wal-Mart, H.E.B., Kmart.
- **Off-Price Retailers**: Buy at less than regular wholesale prices & charge consumers less than retail.
- **Factory outlets:** Owned & operated by manufacturers & normally carry the manufacturer's surplus, discontinued or irregular goods. Ex: Ralph Lauren,Liz Claiborne.
- **Independent off-price retailers:** Owned & run either by entrepreneurs or by division of larger retail corporations. Ex: TJX Cos.
- **Warehouse clubs:** Sell a limited number of brand-name grocery items, appliances, clothing, etc. at deep discounts. Operate in huge, low-overhead, warehouse-like facilities. No credit cards. No deliveries. Ex: Sam's Club.
- **Superstores:** 35,000 square feet selling space. Meets consumer's total needs. Ex: Petsmart, Home Depot, Staples.
- **Catalog Showrooms:** Sell a broad selection of high-markup, fast-moving, brand-name goods at discount. Ex: Service Merchandise.

2. **Non-store retailing:** Non-store retailing is a type of retailing where the transaction happens outside conventional shops or stores. It is further divided into two types – direct selling (where the company uses direct methods like door-to-door selling) and automated vending (installing automated vending machines which sell offer variety ofproducts without the need of a human retailer).
    - **Direct Selling:** Oldest one.
        - One-to-one selling: A salesperson visits & tries to sell products to asingle potential user. Ex: Avon, Electrolux.

    - One-to-many: A salesperson goes to the house of a host who hassome people in the house. Ex: Tupperware.
    - Multilevel: A variant of direct selling in which companies recruit independent businesspeople who act as distributors for their products. These distributors in turn recruit & sell to sub-distributors,who eventually recruit others to sell their products, usually in customer homes. Ex: Amway, NuSkin.
- **Direct Marketing:** Includes telemarketing, TV direct response marketing & electronic shopping. Ex: 1-800-FLOWERS, Home Shopping Network.
- **Automatic Vending:** Vending machines offer 24 hour selling, self-service& unhandled merchandise. Ex: COKE, Pepsi.
- **Buying Service:** A storeless retailer serving specific clienteles- usually theemployees of large organizations, such as schools, hospitals, unions, & government agencies. Ex: United Buying Service

3. **Corporate retailing:** It involves retailing through corporate channels like chain stores,franchises, and merchandising conglomerates. Corporate retailing focuses on retailing goods of only the parent or partner brand.

- **Corporate Chain Stores:** Two or more outlets that are commonly owned & controlled, employ central buying & merchandising, & sell similar lines of merchandise. Their size allows them to buy in large quantities. Ex: Tower Records, Pottery Barn.
- **Consumer Cooperative:** A retail firm owned by its customers. Started by

  community residents. Ex: local consumer cooperatives.
- **Franchise Organization:** Contractual association between a franchiser & franchisees. Normally based on some unique product, service or method of doing business. Prominent in fast foods, video stores, health/fitness centers, auto rentals. Ex: McDonald’s, Pizza Hut, Taco Bell, Burger King.

- **Merchandising Conglomerate:** A free-form corporation that combines

  several diversified retailing lines & forms under central ownership , along with some integration of their distribution-&-management function Ex:

  F.W. Woolworth, Kids Mart.

4. **Internet retailing:** Internet retailing or online retailing works on a similar concept of selling small quantities of goods to the final consumer but they serve to a larger market and doesn’t have a physical retail outlet where the customer can go and touch or try the product.
5. **Service retailing:** Retailers not always sell tangible goods, retail offerings also consists of services. When a retailer deals with services, the process is called service retailing. Restaurants, hotels, bars, etc. are examples of service retailing.

Electronic Retailing (E-tailing):

Electronic retailing (E-tailing) is the sale of goods and services through the Internet. E-tailing can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services. E-tailing requires companies to tailor their business models to capture Internet sales, which can include building out distribution channels such as warehouses, Internet webpages, and product shipping centers.

Notably, strong distribution channels are critical to electronic retailing as these are theavenues that move the product to the customer.

E-tailing can lower infrastructure costs by doing away with the need for stores, yet it can require infrastructure-related investments in shipping and warehousing.

Types of Electronic Retailing (E-tailing)

1. **Business-to-Consumer (B2C) E-Tailing**

Business-to-consumer retailing is the most common of all e-commerce companies and the most familiar to most Internet users. This group of retailers includes companies selling finished goods or products to consumers online directly through their websites. The products could be shipped and delivered from the company's warehouse or directly from the manufacturer. One of the primary requirements of a successful B2C retailer is maintaining good customer relations.

2. **Business-to-Business (B2B) E-Tailing**

Business-to-business retailing involves companies that sell to other companies. Such retailers include consultants, software developers, freelancers, and wholesalers. Wholesalers sell their products in bulk from their manufacturing plants to businesses. These businesses, in turn, sell those products to consumers. In other words, a B2B company such as a wholesaler might sell products to a B2C company.

Advantages of Electronic Retailing

1. E-tailing includes more than just e-commerce-only companies. More and more traditional brick-and-mortar stores are investing in e-tailing. Infrastructure costs are lower with electronic retailing versus operating brick-and-mortar stores.
2. Companies can move products faster and reach a larger customer base online than with traditional physical locations. E-tailing also allows companies to close unprofitable stores and maintain the profitable ones.
3. Automated sales and checkout cut down on the need for personnel. Also, websites cost less than physical stores to open, staff, and maintain.
4. E-tailing reduces advertising and marketing expenses as customers can find the stores through search engines or social media.
5. Data analytics is like gold for e-tailers. Consumer shopping behavior can be tracked to determine spending habits, page views, and length of engagement with a product, service, or website page. Effective data analytics can decrease lost sales and boost client engagement, which can lead to increased revenue.

Disadvantages of Electronic Retailing

1. There are disadvantages to running an e-tailing operation. Creating and maintaining an e-tailing website, while less expensive than a traditional retail location, can be expensive.
2. Infrastructure costs can be substantial if warehouses and distribution centers need to be built to store and ship the products. Also, adequate resources are necessary to handle online returns and customer disputes.

3. E-tailing does not provide the emotional shopping experience that physical stores can offer. Emotional shopping often results in consumer spending. E-tailing does not give the consumer experience shopping—where consumers hold, smell, feel, or try on products—before purchasing them.
4. Personalized customer service can also be an advantage to brick-and-mortar stores, which can include personal shopping services.

Example of Electronic Retailing

Amazon.com (AMZN) is the largest online retailer providing consumer products and subscriptions through its website. Amazon's website shows the company generated morethan $230 billion in revenue in 2018 while posting more than $10 billion in profit or net income. Other e-tailers that operate exclusively online and compete with Amazon include Overstock.com and JD.com.

Alibaba Group (BABA) is China's largest e-tailer, which operates an online commerce business throughout China and internationally. Alibaba adopted a business model that not only includes both B2C and B2B commerce. The connect Chinese exporters to companies around the world looking to buy their products. The company's rural Taobao program helps rural consumers and companies in China sell agricultural products to those living in urban areas. In 2018, Alibaba generated nearly $40 billion in annual revenue while posting just under $10 billion profit.

PHYSICAL DISTRIBUTION:

Physical distribution is concerned with the physical movement of the goods from the producer to the consumer. It is an important part of marketing activity and a major component of marketing mix. It includes all those activities which help in efficient movement of goods from producer to consumer, such as transportation, warehousing, material handling, inventory control, order processing, market forecasting, packaging, plant and warehouse location and customer service.

Philip Kotler has defined physical distribution as, “Physical distribution involvesplanning, implementing and controlling the physical flow of materials and final goods from the point of origin of use to meet consumer needs at a profit.”

Importance of Physical Distribution System:

1. Creating Time and Place Utility: Physical distribution activities help in creating time and place utility. This is done through transportation and warehousing. Transportation system creates place utility as it makes available the goods at the right place where they are required. Warehousing creates time utility by storing the goods and releasing them when theyare required.

2. Helps in Reducing Distribution Cost: Physical distribution cost account for a major part of the price of the product. If these costs are handled systematically, decrease in costs of product can be there. Proper and systematic planning of transportation schedules and routes, warehousing location and operation, material handling, order processing, etc. can easily bring in cost economies.

3. Helps in Stabilisation of Price: Physical distribution helps in maintaining stable prices. Even customers expect price stability over a period of time. Proper use of transportation and warehousing facilities can help in matching demand with supply and thus ensure stabilisation of price.

4. Improved Consumer Services: Consumer service in physical distribution means making products in right quantity available at right time and right place i.e. place where customer needs.

Components of Physical Distribution:

(1) Order Processing: Order processing is the starting point of any distribution activity. Order processing includes activities like receiving the order, handling the order, granting credit, invoicing, dispatching, collecting bills, etc. Each customer expects that the order placed by him is implemented without delay, and as per the specifications of the order.

Thus, order processing becomes very important. Marketer should make effort to maintain the order cycle time i.e. the time period between the time of placement of an order by the customer to the time of arrival of goods at his destination. Standard procedure should be laid down for processing of order.

(2) Storage and Warehousing: Storage means making proper arrangements for retaining the goods in proper condition till they are demanded by customers. There are many products which are seasonally produced but are used throughout the year, they can be stored and later released. Similarly, there are products which are produced throughout the year but are seasonally used like umbrella, fans, heaters, etc. Here also storing plays an important role. Storage reduces the need for instant transportation which is difficult and costly.

Warehousing provides the storage function. Places where the goods are stored are known as warehouse. Goods are stored in warehouses to be released in time of demand. Apart from storing function, warehouses also perform other functions like, marketing and assembling the goods.

Two types of warehouses are there- Storage Warehouses and Distribution Warehouses. Storage warehouse helps in storing the good for long and medium period of time to ensure matching of supply and demand. Distribution warehouses facilitate assemblingthe product and redistributing it within a short period of time. They can also be centralised (when located near factory) or decentralised (when located near market).

(3) Inventory Control: Inventory control refers to efficient control of goods stored inwarehouses. Maintaining adequate level of inventory is very essential for smooth flow of business. Inventory acts as a bridge between the orders of customers and production. They are the reservoir of the goods held in anticipation of sales. Therefore, it needs to be properly managed and controlled.

(4) Material Handling: It involves moving the goods from plant to warehouses and from warehouses to place of loading in transport modes. Proper management of material handling helps in avoiding unnecessary movement of goods, avoiding damage to the goods, facilitate order processing and efficient movement of goods.

Material handling is the sub part of the total physical distribution system and helps in reduction in cost and better service to consumers. Effective management of material handling system leads to effectiveness of total physical distribution system and thereby makes it economical.

(5) Transportation: Transportation as a component of physical distribution is concerned with the movement of goods from the warehouse to customer destination. It includes loading and unloading of goods and their movement from one place to another. In doing so it provides time and place utility. Transport accounts for a major portion of the distribution cost and of the total price of the product.

Correct form of transportation mode is very essential as it directly affect the price of the product. Proper choice facilitates smooth movement of goods on time and in good condition. The transportation mode therefore needs to be adequate, regular and dependable.

Different modes of transportation are there like Road transport, railways, Airways, Water transport and pipeline from which a choice has to be made. Each has its own share of merits and demerits. Normally a combination of different mode is chosen and integrated in asequential order to move the product economically and faster.

QUESTION BANK – UNIT – 4

PART – A		CO	Blooms Level
1	List the components of promotion mix	CO4	L4
2	Justify publicity as a promotional tool.	CO4	L5
3	Mark two examples for ‘premium offer’	CO4	L5
4	Maximize on POPand give examples.	CO4	L6
5	Explain Advertising	CO4	L5
6	Compare ATL & BTL type of advertising.	CO4	L4
7	Opinion on the importance of retailing	CO4	L5
8	Discover E-tailing	CO4	L4
9	List few examples for electronic retailing	CO4	L4
10	Identify the uses of automatic vending.	CO4	L3
11	Predict the various media used for advertising.	CO4	L6
12	Agree that personal selling is the oldest form of promotion	CO4	L5

PART – B		CO	Blooms Level
1	Interpret in detail the types of advertisement based on their level of penetration.	CO4	L5
2	Discuss Advertisement as communication tool and as a sales tool. Explain how you can measure its effectiveness.	CO4	L6
3	Determine in detail the tools and programmes used for consumer sales promotion, with examples.	CO4	L5
4	Conclude on various types of distribution channels used by business organisations.	CO4	L5
5	Identify the various factors determining the choice of channels of distribution.	CO4	L3
6	Discuss in detail the different types of retailing.	CO4	L6
7	Appraise the advantages and disadvantages of e-retailing.	CO4	L5
8	Explain in detail the various components of physical distribution.	CO4	L5
9	Recommend - “Sales persons constitute the most important single resource with unlimited potential”. Suggest ways and means to tap this potential for unlimited growth.	CO4	L6
10	Deduct the reason for the need of personal selling despite the dominance of advertising.	CO4	L5

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SCHOOL OF MANAGEMENT STUDIES

UNIT – V – Essentials of Marketing – SBAA1405

UNIT 5 RECENT TRENDS IN MARKETING

Social Marketing - online marketing - direct marketing - services marketing - green marketing - Rural marketing - Consumerism - Consumer Rights - Consumer Grievance Redressal Forums.

DEFINITION OF SOCIAL MARKETING

According to Philip Kotler - Social Marketing is "the design, implementation, and control of programs seeking to increase the acceptability of a social idea or practise in a target group"

According to W. Smith, Academy for Educational Development - "Social Marketing is a process for influencing human behaviour on a large scale, using marketing principles for the purpose of societal benefit rather than commercial profit."

Social marketing is based on tools and techniques of commercial marketing; it uses principles of commercial marketing for the purpose of societal benefit. In social marketing, advertising campaigns are designed, implemented, and controlled by using the principles of commercial marketing. The key features of social marketing are taken directly from commercial marketing, but the purpose of social marketing differs from the purpose of commercial marketing. The purpose of commercial marketing is to increase sales and revenue, but it is not so in the case of social marketing.

The purpose of social marketing is societal benefit rather than commercial profit. Its purpose is to bring about positive health and social change. Its ultimate outcome is behavioural change rather than increased sales.

Social advertising campaigns are advertising tools that attempt to influence attitude and behaviour related to social cause. For example, social advertising campaigns have been used to influence behaviour related to energy conservation, pollution, tobacco prevention, family planning, breast cancer screening, and etc.

Applications of Social Marketing:

1. Health promotion campaigns in India, especially in Kerala and AIDS awareness programmes are largely using social marketing, and social workers are largely working for it. Most of the social workers are professionally trained for this particular task.

2. Anti-tobacco campaigns.

3. Anti-drug campaigns.

4. Anti-pollution campaigns.
5. Road safety campaigns.
6. Anti-dowry campaigns.
7. Protection of girl child campaign.
8. Campaign against the use of plastic bags.
9. Green marketing campaign.

Social marketing applies a customer-oriented approach, and uses the concepts and tools used by commercial marketers in pursuit of social goals such as anti-smoking campaigns or fund raising for NGOs.

Advantages of Social Marketing:

Social marketing—a new marketing tool—can be a great asset if used properly. The beneficial effects of social marketing for a business can be tremendous, but one must remember that it must be used in the most efficient possible way.

Social marketing allows businesses and web sites to gain popularity over the Internet by using different types of social media available, such as blogs, video and photo sharing sites, social networking sites and social bookmarking web sites.

There are six distinct advantages of social marketing that make it a vital tool to any marketing campaign:

1. Promotes consumption of socially desirable products.
2. Promotes health consciousness in people and helps them adopt a healthier lifestyle.
3. It helps in green marketing initiatives.
4. It helps to eradicate social evils that affect the society and quality of life.
5. Social marketing is one of the cheapest ways of marketing.
6. One of the best advantages of social marketing is that anyone can take advantage of it, even from their own home.

ONLINE MARKETING

Online marketing is advertising and marketing the products or services of a business over Internet.Online marketing relies upon websites or emails to reach to the users and it is combined with e-commerce to facilitate the business transactions. In online marketing, you can promote the products and services via websites, blogs, email, social media, forums, and mobile Apps.

Online marketing is also termed as Internet marketing, Web marketing, or simply, OLM.

Difference between Traditional and Online Marketing

The goal of traditional marketing and online marketing are same − To attract and drive visitors of advertise to buy the product thereby increasing the business profit. Let us see the difference between two approaches now –

Traditional Marketing	Online Marketing
It is difficult to measure. You cannot know how many people read your advertise andhow many took favorable action upon viewing it.	It is measurable. You can know the number of people who viewed the online advertise, and the number of ones who purchased the product.
It is not cost-effective.	It is more cost-effective.
It is not so good for brand building.	It is fast and efficient for brandbuilding.
In some way, it interrupts regular activities of users such as television advertises interrupt the program you are watching, billboards divert focus of the driver, etc.	It is not interrupting. The user can attend online advertises as per his/her convenience and preferences.
It may leave users' queries unanswered as printing or narrating complete information about the product or service may not be always feasible.	It can provide maximum information about the product or service, offers, and transactions.

Online marketing is widely practiced strategy of advertising or promoting sales and name of the business. Wise use of the online marketing strategies can take the business to unprecedented levels of success.

Components of Online Marketing

Online marketing has various components as shown in the illustration below −

MARKET RESEARCH

Business organizations need to set clear objectives and strong market understanding. To research the market, you can −

- Review your website traffic.
- Review the Ad conversion rates.
- Review the queries asked by your existing customers.
- Identify the customers' pain points that they post on various platforms such as yahoo answers, blogs, social media, and other sites.
- Anticipate and compile a list of Frequently Asked Questions (FAQs) with their clear answers and align them to customers' pain points.
- Include the fact sheet about product if required.

Keyword Research

Choosing a correct and relevant set of keywords can help design a crisp and persuasive advertise for online marketing. Before accessing any keyword research tool, ask yourself −

- What is the purpose of this web page?
- How clearly can I state the conversion event?
- Have I clearly answered all the pain points that users might look for on this page?
- Which phrases the users might enter while looking for a solution?
- Are my keywords relevant to the users' intent?

SEO Friendly Website

Mapping the right keywords around the users' pain points in a hierarchical manner makes an effective website. You need to categorize the keywords in a thematic order and then link the respective articles to the keywords. This makes the website easy maintain.

Web Analytics

The ultimate goal of analytics is to identify actionable insights on monthly basis which can help to make favorable changes to the website gradually. This in turn ultimately leads to strong profits in long term.

Online Advertising

It is placing crisp, simple, and tempting Ads on the websites to attract the viewers' attention and developing viewers' interest in the product or service.

Mobile Advertising

It is creating awareness about the business and promoting it on smart phones that people carry with them inseparably.

Search Engine Optimization (SEO)

It is the activity of optimizing web pages or complete website in order to make them search engine friendly, thus getting higher position in the search results. It contributes to overall rankings of the keywords through influencing factors such as appropriate titles, meta descriptions, website speed, links, etc.

Social Media Marketing

It includes creating profiles of your brand on social media platforms such as Google

Plus, LinkedIn, Pinterest, Twitter, Facebook, etc. It assures that you remain connected to the existing or potential customers, build awareness about the products and services, create interest in and desire to buy your product, and interact with the customers on their own terms and convenience.

Email Marketing

You can interact with the customers to answer their queries using automatic responders and enhance the customer experience with your website.

You can offer the options such as signing-in to subscribe to your newsletter. You can make the emails catchy and crisp, so that they don't make recipients annoyed. Also, you can use selected best words in the subject line to boost the open rate.

Content Marketing: It includes creation and sharing of media and publishing the content in order to acquire and retain customers.

Blogs

Blogs are web pages created by an individual or a group of individuals. They are updated on a regular basis. You can write blogs for business promotion.

Banners

Banners are long strips of cloth with a slogan or design. They are carried for demonstration, procession, or hung in a public place. There are internet banners in parallel to tangible banners for advertising.

Internet Forums

They are nothing but message boards of online discussion websites, where people posts messages and engage into conversation.

Advantages of Internet Marketing:

- Internet marketing is relatively inexpensive when compared with the ratio of cost against the reach of the target audience.
- Companies can reach a wide audience for a small fraction of traditional advertising budgets.
- The nature of the medium allows the consumers to research, and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to the consumers in a medium that can bring results quickly.

- The strategy and the overall effectiveness of the marketing campaigns depend on the business goals and the cost-volume-profit analysis.
- Internet marketing can offer a greater sense of accountability for the advertisers.
- Internet marketing refers to the online marketing, which is related to e-mail and wireless marketing methods.

Disadvantages of Internet Marketing:

- Internet marketing sometimes appear to be confusing and at times considered as a kind of virus.
- The more you know, the more you realize the need to learn more.
- Typical business models lasts for two years, but Internet businesses sometimes lose appeal after 6 months.
- Intense competition.
- Overwhelming knowledge to be learnt.
- Too many skills to learn.
- Takes a long time to learn many skills.
- Too many scams on the internet.
- Many people think it is easy to make money on the internet.

DIRECT MARKETING:

Direct marketing is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman. It is a targeted form of marketing that presents information of potential interest to a consumer that has been determined to be a likely buyer.

Direct marketing is defined as communicating directly with the targeted customers on an individual basis so that immediate response can be obtained. Interaction must take place in Direct Marketing and therefore it is called two-way of communication.

Benefits of direct marketing

- Direct marketing **allows you to promote your product or service directly to your target audience** and measure results quickly, but the benefits don't stop there. Here are some of the advantages that digital direct marketing can bring to your brand:
- **High segmentation and targeting.** One of the great advantages of this type of marketing is that you can reach your specific audience segments with personalized messages. If you want to succeed, you should invest time to research and identify the consumers most likely to convert and thus direct your efforts to actions that really work.
- **Optimize your marketing budget.** Addressing online direct marketing to a specific audience allows you to set realistic goals and improve your sales on a tight budget. If you properly optimize your direct campaign, you will achieve results with only a small percentage of the cost of traditional advertising.
- **Increase your sales with current and former clients.** Digital direct marketing lets you communicate with your current customers to keep the relationship alive while continuing to bring value. It also allows you to get back in touch with old customers and generate new sales opportunities.
- **Upgrade your loyalty strategies**. Direct contact with your customers allows you to customize your promotions, emails, and offers to create an instant bond. To maximize results, you can combine your direct marketing methods with your loyalty program.
- **Create new business opportunities.** Direct marketing allows you to adapt to market demands at all times and respond more effectively.
- **Tests and analyzes the results.** Direct response campaigns give you the opportunity to directly measure your results. Take the opportunity to squeeze the most of your tests and make decisions in real time.

Types of Direct Marketing

Direct marketing is spreading rapidly and it is done by a number of ways. Following are the forms of direct marketing that are employed by most of the organizations in the business community.

1. **Face to Face Selling**

It is the oldest form of direct marketing or simply marketing in which the authorized sales persons are employed by the organizations who meet the prospects directly. These sales persons make efforts to reach the prospects, convert them into profitable customers, develop long run relationships and hence promote the business of their organizations.

2. **Telemarketing**

Telemarketing is that form of direct marketing in which telephone is used for the purpose of communicating with the customers buys the products directly from the sellers.

3. **Direct Mail Marketing**

These forms of direct marketing include direct mail marketing in which an offer, reminder, announcement or other things are sent to the address of a particular person. Direct one to one Communication takes place in direct mail marketing. There are several advantages of using direct mail marketing which are as follow.

- It is much more flexible.
- It is personalized.
- Selection of target market is high.
- The results are easily measured.

The cost of direct mail marketing is relatively higher than other forms of direct marketing, but in this case the prospects are quickly converted into the potential customers. **Direct mail marketing is further divided into the following three types.**

- Fax Mail
- E-mail
- Voice mail
- Catalog Marketing

In catalog marketing, catalogs are mailed to a specified list of customers or provide physical catalogs to a group of people at stores in order to sell particular products. A catalog is a combination of at least eight printed pages which includes details of multiple products along with the identification of direct ordering mechanism. A complete line of goods is offered through catalogs by some stores. There are many direct retailers who place the catalogs of their product on the internet. The internet based catalogs are passive in nature and therefore need to be marketed electronically.

4. **Kiosk Marketing**

There are certain organizations that have sophisticated machines called kiosks, which provide information about the particular products and have an effective ordering mechanism. These kiosk machines are placed in the main area of the cities like airport, stores and other famous locations. Some business marketers also place their kiosk machines at the trade shows for the promotion of their products. Moreover the merger of the real world with the virtual world of commerce is making kiosks as much more online in nature. The example of this modern technology includes the Gap interactive kiosk.

5. **Online Marketing & Electronic Commerce**

One of the effective forms of direct marketing is the online marketing & the electronic commerce, which is carried out completely in electronics' way. There are online computer systems that connect the customers with the seller in an online manner so that that can make transactions.

Online marketing & electronic commerce is further divided into the following two forms.

Commercial Online Stores: The information and marketing services are offered by the authorized commercial online service provider who charges a monthly fee for its subscribers. Example of this type is America Online.

Internet: With the advancement in the information technology field, now the old commercial online service is replaced by highly most advanced internet which serves as a basic online marketing channel. The internet is composed of a large number of different networks of computers that are connected with each other. For a meeting of sellers and buyers over the internet, World Wide Web serves as the popular place of meeting.

SERVICE MARKETING:

Definition of Service Marketing

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

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

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

Features / Characteristics of Services:

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

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

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

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

services are activities performed for simultaneous consumption, they perish unless consumed.

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

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

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

Problems in Marketing Services:

- A service cannot be demonstrated.
- Sale, production and consumption of services takes place simultaneously.
- A service cannot be stored. It cannot be produced in anticipation of demand.
- Services cannot be protected through patents.
- Services cannot be separated from the service provider.
- Services are not standardized and are inconsistent.
- Service providers appointing franchisees may face problems of quality of services.
- The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization.

GREEN MARKETING:

Meaning:

Here, term 'green' is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups.

Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems. Growth in marketing activities resulted into rapid economic growth, mass production with the use of advanced technology, comfortable and luxurious life, style, severe competition, use of unhealthy marketing tactics and techniques to attract customers, exaggeration in advertising, liberalization and globalization, creation of multinational companies, retailing and distribution by giant MNCs, etc., created many problems.

Departmental stores, specialty stores, and shopping malls are flooded with useful as well as useless products. These all factors have threatened welfare of people and ecological balance as well. Particularly, giant factories have become the source of different pollutions. Production, consumption and disposal of many products affect environment adversely.

Excessive pollution has provoked the Nature and the Nature starts behaving in unnatural ways (in form of global warming v/s global cooling, heavy rains v/s draught, and other natural calamities like frequent earthquakes and tsunami, cyclones, epidemics, and so forth). Economic growth via production and consumption threatens peaceful life of human being on the earth. Green marketing is an attempt to protect consumer welfare and environment (the nature) through production, consumption, and disposal of eco-friendly products.

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.

Global ecological imbalance and global warming (also global cooling) have called upon environmentalists, scientists, social organisations, and alert common men to initiate the concrete efforts to stop further deterioration of ecological environment. The World Bank, the SAARC, the UNO, the WHO, and other globally influential organisations have started their efforts to promote and practice green marketing. The world environment summit at Copenhagen (2009) is the mega event that shows the seriousness of ecological imbalance.

To increase awareness, 5th June is declared as the World Environment Day. Green marketing emphases on protection of long-term welfare of consumers and society by production and use of pure, useful, and high quality products without any adverse effect on the environment. Mass media have started their campaign for protecting the earth from further deterioration. Worldwide efforts are made to conserve natural water resources.

Thus, green marketing is a marketing philosophy that promotes production and selling of pure (eco-friendly) products with protection of ecological balance. Green marketing involves multiple activities. Green Marketing encourages production of pure products by pure technology, conservation of energy, preservation of environment, minimum use of natural resources, and more use of natural foods instead of processed foods. Efforts of people, social organisations, firms, and governments in this regard can be said as green marketing efforts.

Green marketing raises the voice against production, consumption, and/or disposal of such products that anyway harm consumers, the society, and the environment. It is necessary that businessmen and users should refrain from harmful products.

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.

We can witness following impacts of green marketing:

- Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.
- Reducing use of plastics and plastic-based products.
- Increased consumption of herbal products instead of processed products.
- Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.
- 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.
- Worldwide efforts to recycle wastes of consumer and industrial products.
- Increased use of herbal medicines, natural therapy, and Yoga.
- Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and

seas from pollutions.

- Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organisations of several countries have formulated provisions for protecting ecological balance.
- More emphasis on social and environmental accountability of producers.
- 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.
- Declaration of 5th June as the World Environment Day.
- Strict legal provisions for restricting duplication or adulteration.
- Establishing several national and international agencies to monitor efforts and activities of business firms in relation pollution control and production of eco-friendly products.

RURAL MARKETING:

Introduction:

Due to stiff competition in domestic as well as global markets, companies are now moving from urban areas to rural areas. Companies are establishing themselves in rural areas by developing and upgrading the knowledge of their products and creating a segment of necessity for their products among customers. The rural areas had negligibly been tapped, but increasing globalization, has forced marketers to connect with the rural markets.

Rural marketing is a compilation of the developed product, reasonable price, appropriate placing and right awareness. The marketing rule sates that, the right product, at the right price, at the right place, at the right time, through the right medium should reach the right customer. This same rule stands good for rural marketing also.

Over the last few decades, the Indian rural market has become prominent due to growth in the purchasing power of rural population. The rural areas consume a large quantity of products manufactured in urban areas; therefore, the rural market is getting more importance than urban market. Nowadays, the marketers are looking for expansion in the untapped rural market.

The majority of Indian population lives in rural areas; therefore, there is a vast scope for marketing in rural India.

Definitions:

According to G.N. Murthy – “Rural marketing is the study of all the activity, agency and policy involved in the procurement of farm inputs by the farmers and the movement of rural products from farmers to consumers”.

According to National Commission on Agriculture are – “Rural 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 & institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution”.

So we conclude that rural marketing in simple words is planning and implementation of marketing function for rural areas.

Features of Rural Marketing:

Feature # 1. Large, Diverse and Scattered Market: Rural market in India is large and scattered into a number of regions. It consists of approximately 75 crores rural consumers who live in 6,38,365 villages spread over 32 lakh square kilometer area. It is scattered and widespread over 6.30 lakh villages, unlike the urban market confined to a handful of metros, cosmopolitan cities and towns. Covering, such a large and widely scattered geographical market, characterized by less population per settlement, raises the inventory and transportation cost and thus affects the viability of the route schedule operations of the distribution system in rural areas.

Feature # 2. Major Income of Rural Consumers is from Agriculture: Rural prosperity is tied with agriculture prosperity. Major part of income of rural people comes from agriculture. In the event of crop failure, the income of rural masses is directly affected. However, the recent past has seen a gradual reduction in the sole dependence on agriculture, as other sectors have started playing significant role in the rural economy.

Feature # 3. Low Standard of Living: Rural population is employed in small-scale agricultural and related occupations. This unreliability factor in case of rural income makes the rural consumers extremely conscious in their purchase behaviour as they are not confident about their future earnings. Majority of the rural population lives below poverty line and have low literacy rate, low per capita income, social backwardness etc.

Added to this the traditions, religious pressures, cultural values and deep-rooted superstitions are the hindering factors for an upward social mobility. The prosperity to save for future exigencies makes rural people spend less to improve their standard of living even when they have good income.

Feature # 4. Traditional Outlook: Villages develop slowly and have a traditional outlook. Change is continuous process but most rural people accept changes gradually. They mostly resist to change. This is gradually changing due to literacy especially in the youth who have begun to change the outlook in the villages.

Feature # 5. Infrastructure Facilities: Inadequate infrastructure is the single most important factor that distinguishes urban and rural markets. The infrastructure facilities like cemented road, warehouses, communication system and financial facilities are inadequate in rural areas. Promotion and physical distribution thus becomes very difficult in the rural areas because of inadequate infrastructural facilities, which has increased the scope of rural marketing.

Feature # 6. Market Growth: The rural market is growing steadily over the years. Demand for traditional products, such as bicycles, agricultural inputs, FMCG Products etc. has also grown over the years. The growth has not been only quantitative but also qualitative.

This was the result of new employment opportunities and new sources of income made available through rural development programmes which have resulted in green and white revolutions and a revolution in rising expectations of rural masses. Demand for products such as bicycles, agricultural inputs, farm products etc., has also grown over the years. This result into the increasing the potential of rural areas.

Feature # 7. Diverse Socio-Economic Background: Due to dispersion of geographical areas and uneven land fertility, rural people have separate socioeconomic background, which ultimately affects the rural market. Villagers belong to different religions, culture, and social groups. Socio-cultural background influence consumer willingness to accept innovations and new products in different areas.

The variations in behavior due to consumer environment geographical, occupation, demographical and behavioral, influences the lifestyle and create altogether different sets of needs in different areas. This creates the need to segment the rural market to cater it effectively and profitability.

Feature # 8. Literacy in Rural Area: The literacy rate is low in rural areas as compared to urban areas and leads to the problem of communication for promotion purposes. With low literacy rates, print medium become inefficient and to an extent irrelevant in rural areas since its reach is poor.

The dependence is more on electronic media – cinema, radio and television but the rural literacy level has improved in the rural past. Rural people have started to go to urban areas for higher education. Even government has introduced various schemes for rural education. Awareness has increased and the farmers are well informed about the world around them. They are also educating themselves on the new technology around them and aspiring for a better lifestyle.

Feature # 9. Purchasing Capacity: The purchasing power of the people in rural areas in dependent on several direct and indirect factors related to the rural economy. Marketing agricultural surplus and rural – urban terms of trade are the main sources of purchasing power for rural consumers. To a large extent, Indian agriculture is dependent on rainfall.

Therefore, the rural demand for consumer goods is indirectly influenced by the rainfall. This result into inadequate purchasing power of the rural consumers. But now a day's purchasing power of the rural people is increasing because government spends huge amounts of money on irrigation, flood control, infrastructure development, antipoverty schemes, subsidies etc.

Therefore, marketers are interested in developing the market in rural area. Media has reached to rural area, so it becomes easy for marketer to sell product in rural area. Marketers have realized the potential of rural markets and thus are expanding their operations in Rural India.

FACTORS CONTRIBUTING TO GROWTH:

Factor # 1. Favourable Government Policies: Mahatma Gandhi has rightly said, "India lives in villages and to become a developed nation, villages have to be developed". The Government has taken the initiative for economic development of rural areas and through Five Year Plans have invested heavily in development of agriculture, animal husbandry, irrigation, electricity, dairy and khadi and village industries and infrastructure facilities. In the Tenth Five Year Plan, high priority was given to the development of agriculture and rural areas, transportation, communication, electricity and social services like health, education, employment generation.

Factor # 2. Agricultural Development: Agriculture contributes to about 16 per cent of GDP of our country but over 65 per cent of the rural population is depending on agriculture for their livelihood. The agricultural sector plays a major role in the Indian economy as it provides food grains to urban population and also supplies raw materials like cotton, sugarcane and labour force to industrial sector.

Factor # 3. Development of Indian Economy: In an underdeveloped country, a large part of national income is contributed by primary sector (Agriculture) and as the country develops, share of primary sector declines and that of secondary (Manufacturing) and tertiary sector (Services) increase.

There has been expansion of industrial and service sectors leading to more employment opportunities. Therefore, Indian economy has undergone a change from underdeveloped economy to a developing economy.

Factor # 4. Rising Aspirations of Rural People and Attraction for High Standard of Living: The average household income has increased from Rs.52,000 (2005) to Rs.76,000 (2010). Further it has been observed that monthly salary earners have high income compared to income from the farm. The rise in income coupled with increased awareness and the need for possess modern goods have influenced the rural marketing environment in the country.

The mobility towards higher income group has been higher in rural area compared to urban. The rural consumer is quickly moving from basic necessities to branded products.

Factor # 5. Media Explosion: Expansion of TV network and more channels have contributed to the growth of rural markets. Through several TV channels and internet, rural consumer is also exposed to the global village.

There are about 6 lakh inhabited villages and about 80 per cent of the villages have .been connected through Village Public Telephones. Ending 2011, there were 929 million mobile subscribers. Out of this 327 million subscribers are from rural (35 per cent) areas. Further there are about 60 lakh public telephones in villages.

Factor # 6. Private Initiatives: Private agencies have contributed to growth and development of rural areas through village level programmes.

Examples-

(a) Companies like HUL and Colgate have highlighted the importance of health and hygiene among villagers through school teachers, village meetings and film shows.

(b) Parry Corner, internet access centre initiated by Murugappa group in Tamil Nadu, provides information on farming techniques, bank loans, insurance, availability of agricultural inputs, Government schemes, etc., to rural population.

(c) Seeds, fertiliser and pesticide companies have created awareness among farmers about modern methods of cultivation by conducting extension activities such as farm-to-farm visits, group meetings, demonstrations and film shows.

(d) Launched in 2000 by ITC, e-Choupal has become the largest initiative among all the internet-based interventions in rural India. The farmers can sell their produce, buy a variety of products, receive all the information needed to improve their yields and get a better price for the produce through e-Choupal.

Factor # 7. Growth in Income: Number of households (in million) coming under very rich and well-off categories are high in rural areas.

The average income level has improved due to modern farming practices, industrialisation of rural area, growth of service sector, migration of rural people into cities and remittance of their money, remittance of money by family members settled abroad. Rural income (farm and non-farm) contributes to over 50 per cent of the total income of the country. The farm wages have been rising and increased from Rs.110 per day in 2006-2007 to Rs.154 per day in 2011-2012.

Factor # 8. Growing Rural Market: Rural markets are growing fast and in many states they contribute to substantial sale of FMCG products.

CONSUMERISM:

Introduction

Consumerism is defined as social force designed to protect consumer interests in the marketplace by organising consumer pressures on business. Consumerism is a protest of consumers against unfair business practices and business injustices.

It aims to remove those injustices, and eliminate those unfair marketing practices, e.g., misbranding, spurious products, unsafe products, planned obsolescence, adulteration, fictitious pricing, price collusion, deceptive packaging, false and misleading advertisements, defective warranties, hoarding, profiteering, black marketing, short weights and measures, etc.”

Consumer organisations could provide united and organised efforts to fight against unfair marketing practices and to secure consumer protection. The balance of power in the marketplace usually lies with the seller. Consumerism is society’s attempt to redress this imbalance in the exchange transactions between sellers and buyers.

Consumerism in India – Need for Consumer Protection:

Consumer choice is influenced by mass advertising using highly developed arts of persuasion. The consumer typically cannot know whether drug preparations meet minimum standards of safety, quality and efficacy. He usually does not know whether one prepared food has more nutritional value than others; whether the performance of a product will in fact meet his needs and expectations; or whether the “large economy size” is really a bargain. Hence, we need consumer protection.

1. Physical protection of the consumer, for instance, protection against products that are unsafe or endanger health and welfare of consumer.

2. Protection of the consumer against deceptive and unfair trade practices. Consumer must have adequate rights and means of redress against business malpractices and frauds.

3. Ecological and environmental effects of chemical, fertiliser or refinery complexes will have to be seriously considered because they pollute water, air and food and endanger human life. Consumer wants due protection against all types of pollution; he wants enriched quality of life — a beautiful, healthy, and peaceful environment free from pollution.

4. Adequate protection of consumer public against the abuse of monopoly position and/or restrictive trade practices. Protection delayed is protection denied.

Greater and free competition in the market is of definite advantage to the consumer. Competition can reduce prices, enhance quality and stimulate innovation in product-mix and marketing-mix. Innovation means progress and progress means life, a prosperous life. Competition is the dispenser of justice to the consumer and producer.

Consumer seeks protection, advice and information when his rights are adversely affected. The shift from buyer beware to seller beware has increased the role of Government in promoting the consumer’s right to safety, the right to be informed, the right to choose, the right to be heard, the right to redress and right to represent.

These consumer rights constitute Consumer Bill of Rights. In 1962, President John F. Kennedy, in his consumer message, summed up these rights of consumers and paved the way for organised consumerism in the U.S.A. and all over the world.

CONSUMER RIGHTS:

Right to safety: Means 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: 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: 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 also enable him to desist from falling prey to high pressure selling techniques.

Right to consumer education: 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: Means that consumer's interests will receive due consideration at appropriate forums. It also 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: Means right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers. It also 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 organisations 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 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.

QUESTION BANK – UNIT - 5

PART – A		CO	Blooms Level
1	Discover Social Marketing.	CO5	L4
2	Propose the applications of social marketing	CO5	L6
3	Distinguish between traditional and online marketing.	CO5	L4
4	List the components of online marketing.	CO5	L4
5	Identify the benefits of direct marketing.	CO5	L3
6	Simplify telemarketing	CO5	L4
7	Assess the importance of green marketing.	CO5	L5
8	Criticize on the right to seek redressal.	CO5	L5
9	Judge the difficulties of rural marketing.	CO5	L5
10	Examine the characteristic of service marketing.	CO5	L4
11	Interpret consumerism.	CO5	L5
12	Identify unfair practices in marketing.	CO5	L3

PART – B		CO	Blooms Level
1	Measure the advantages of social marketing that makes it a vital tool to any marketing campaign	CO5	L5
2	Explain with examples on the various components of online marketing.	CO5	L5
3	Predict the advantages and disadvantages of online marketing faced by marketers in the current scenario.	CO5	L6
4	Compile the various forms of direct marketing that are employed by most of the organizations in the business community.	CO5	L6
5	Discover service marketing and determine the features or characteristics of services.	CO5	L4
6	Agree that Green marketing is concerned with protection of ecological environment?	CO5	L5
7	Discuss in detail the impact of green marketing on the health of people and ecological environment.	CO5	L6
8	Elaborate on the various factors that are contributing to the growth of rural marketing.	CO5	L6
9	Defend - “Consumerism is a protest of consumers against unfair business practices and business injustices.”	CO5	L5

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