MARKETING MANAGEMENT (BCM2C02)

STUDY MATERIAL

B. COM

II SEMESTER

COMPLEMENTARY COURSE

(CBCSS - 2019 ADMISSION)

UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

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CONTENTS

MODULE-I

INTRODUCTION TO MARKETING MANAGEMENT

Marketing is everywhere. Marketing touches every aspect of our lives, from our very birth to our death. Our entire life, our life styles and our existence are continuously affected by marketing. If we examine our daily life, commencing from getting up from bed in the morning to the time we go to the bed in the night, we observe that we use a number of products and services. We get up from our bed in the morning, may be with the help of an alarm clock. Then we brush our teeth with a Colgate tooth brush and paste. After that we wash our face and wipe it with a towel manufactured by a reputed textile mill. Next, we drink a cup of tea prepared from a well known brand, say, AVT Premium. We use gas stove, say, BPL Sanyo, to prepare tea. Many types of utensils are used to prepare tea. Then we wear dresses manufactured by well-known textile mills (S, Kumar or Maftlal or Arvind Mills). Then we leave our homes for office or factory or farm by cycle or two-wheeler or car. Thus our activities go on for the whole day, using several types of goods manufactured by different companies. Imagine what the whole marketing system does for us.

Core Marketing Concepts (Basic Terms)

To understand marketing, it is necessary to study some basic terms such as customers, needs, wants, demands, products, value, satisfaction, exchange, transaction, market etc. These are the core marketing concepts. These concepts may be briefly discussed as follows:

Customers

Customers provide payment to an organisation in return for the delivery of goods and services. Therefore, a customer from a central point for an organisation's marketing activities.

Needs, Wants and Demands

Marketing begins from customers' needs and wants. Every individual has needs. Need simply means necessity. Wants are things that satisfy our needs. These are deeper needs. Thus wants are different from needs. Wants emerge from needs. Demand is a want for specific products that are supported by an ability and willingness to buy them. Wants become demands when the wants are backed by the ability to pay.

Products

Product is what a seller or marketer sells. A product is anything that can be offered to satisfy a need or want. Products include goods, services and ideas.

Exchange and Transaction

Exchange is a process of obtaining a desired offer by sacrificing something in return. When an agreement is reached, we say transaction takes place. Transaction consists of a trade of value between buyer and seller. It indicates the completion of an exchange process between a seller and buyer. Thus, transaction is an event and not a process.

Value and Satisfaction

Value means utility per unit of price. It reflects the relationship of benefits to costs, or what we get for what we give. A consumer buys a product on the expectation that it will satisfy his or her need or want. He buys those products which give him more value. If the actual value is equal to the expected value he is satisfied. As the actual value increases, his satisfaction also increases. If the actual value is less than the expected values he is dissatisfied.

Market

Market is the root word in the term marketing. The word 'market' is derived from the Latin word 'Marcatus. It means merchandise, trade or a place where business is conducted. In ordinary language, the term market means a place where goods are bought and sold. In the context of marking, a market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. In the words of Duddy, "Markets are people with money to spend and desire to spend it".

Thus, market is an aggregate of people (individuals and organisations) who have a need for certain products and the ability and willingness to purchase such products.

Meaning and Definition of Marketing

Marketing is a comprehensive term. It comprises of all activities performed by firms to direct and facilitate flow of goods and services from producers to buyers. It is a two-way exchange process in which needs and wants of both buyers and sellers are satisfied. It is the exchange of value between buyer and seller.

There are numerous definitions of marketing. Different authors have defined the term marketing in different ways. Some experts define marketing in simple terms. Barrett simply sees marketing as,

"primarily concerned with the management of choice". Enis (1974) defined marketing as, "Marketing encompasses exchange activities conducted by individuals and organisation for the purpose of satisfying human wants".

Merchandising

The term merchandising is derived from the term merchant. Merchandising simply refers to product planning. It aims at internal planning relating to products or services for marketing at the right time, at right price and in proper colour, qualities and sizes. It covers everything from the packaging of the product, to the way in which it is offered for sale. It involves the whole range of activities that can be used to increase the sale of goods through retail outlets.

There is another view about merchandising. According to this, merchandising is the attractive display of a product at a shop in a manner that is consistent with the brand image. The purpose is to rise above the point of purchase clutter. For instance, Mumbai's leading department store "Shoper's Stop" has a 221.5ft. long tie (Guinness Book of World Record) sponsored by zodiac in order to snare the customers.

Difference between Marketing and Selling

Many people believe that marketing and selling are one and the same. But it is not so. Marketing does not mean mere selling. It is more than selling. Selling is an important activity of marketing .In the words of Edward G.Koch "the difference between selling and marketing is more than a semantic exercise. Selling means moving products while marketing means obtaining customer".

The important points of difference between marketing and selling are summarised as follows:

1. Selling refers to transferring goods and services to customers. Marketing includes not only selling but also other activities connected with selling such as advertising, marketing research etc.
2. Selling focuses on the needs of seller, while marketing focuses on the needs of buyers.
3. Selling aims at maximum sales and profit. Marketing aims at earning profit through customer satisfaction.
4. Selling is concerned with distribution of goods already produced. But marketing begins before production and continues even after sales have been effected.
5. Selling emphasises on short term objective of profit maximisation, but marketing emphasises on long term goals such as growth and stability.
6. Selling is an activity that converts product into cash, while marketing is a function that converts the consumer needs into products.

The value of Marketing

Marketing is the process by which a firm creates value for its customers. Marketing revolves around value. It is all about creating, communicating, delivering and exchanging products or services that have value for customers and society at large. Value is created by meeting customer needs. Marketing is the delivery of value to customers at a profit. Thus, the two core elements of marketing are value and profit, providing value and generating profit on sustainable basis is a characteristic of the most successful companies, such as Apple and Tesco.

Marketing creates five types of values. They are functional value, social value, emotional value, epistemic value and conditional value. These may be briefly explained as below:

1. **Functional value:** This is the perceived functional or physical performance utility received from the product's attributes. Reliability, durability and price are the attributes a product.
2. **Social value:** This the perceived utility acquired because of the association between one or more specific social groups (e.g., reference groups) and the product. For example, gifts, products used in entertainment etc. are driven by social values.
3. **Emotional value:** This is the capacity of a product to stimulate the consumer's emotions or feelings, For example, the consumer buying a Lifebouy soap expects an emotional value because he/she expects that the soap is capable of protecting the health of children or family members.
4. **Epistemic value:** This comes from the product's ability to foster curiosity, provide novelty and satisfy and desire for knowledge. A person buying a book is driven by epistemic value.

5. **Conditional value:** This comes from some particular situation or circumstances facing the customer. For example, Nescafe which is served at the hard day or on a lazy afternoon.

New Marketing Realities

The market place is not what it used to be. It is dramatically different from what it was 25 years back. Today major societal forces have created new marketing behaviours, opportunities and challenges. Some of the important new marketing realities may be outlined as below:

1. **Network information technology:** The digital revolution has created an information Age that promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing.
2. **Globalization:** Technological advances in transportation, shipping, and communication have made it easier for companies to market in, and consumers to buy from, almost any country in the world. International travel has continued to grow as more people work and play in other countries.
3. **Deregulation:** Many countries have deregulated industries to create greater competition and growth opportunities. In the United States, laws restricting financial services, telecommunications and electric utilities have all been loosened in the spirit of greater competition. In India also the government adopted liberalisation policy from 1990 onwards.

1. Privatisation: Many countries have converted public companies to private ownership and management to increase their efficiency, such as the massive telecom company Telefonica CTC in Chile and the international airline British Airways in the United Kingdom.

2. Disintermediation: The amazing success of early dot-coms such as AOL, Amazon.com, Yahoo!, eBay, E-TRADE, and others created disintermediation in the delivery of products and services by intervening in the traditional flow of goods through distribution channels.

Importance of Advantages of Marketing

Marketing is a very much part of our normal lives, wherever we live. Firms cannot exist without marketing wings. Peter Drucker said that marketing is everything. All other activities in the organisation are support services to the marketing strategy. Take research or design or purchase or production or finance- all these are support services to marketing.

Marketing is inevitable for the company, government, society and the economy as a whole.

A. Importance of Marketing Society

Marketing plays as important role in the development of a society. Marketing bridges the gap between firm and society. It has built a bridge between the farms and factories, which has benefited both agriculture and industry and also society as a whole. The advantages of marketing to society are as follows:

1. **Provides Employment**: Marketing provides effective and continuous employment in the

production, distribution and promotion of goods. A large number of males and females opt for career in marketing after graduation. It is estimated that out of 5 persons, 4 persons are employed in marketing.

2. **Raises standard of living:** Marketing improves the quality of life of people by satisfying varied and innumerable needs and wants of consumers.
3. **Creates utilities**: Marketing creates place, time and possession utilities. Transport creates place utility. Storage creates time utility. Exchange creates possession utility.
4. **Reduces costs**: Marketing ensures optimum production and optimum consumption. This reduces the cost of production. Thus the consumers get quality goods at cheaper prices.
5. **Solves social problems:** Marketing creates social awareness among people. We watch different advertisements related with family planning, ecological balance, pollution control, consumers' health, morals of the community etc. Societal marketing provides a proper platform to these problems.
6. **Makes life easier:** Marketing meets the changing needs and aspirations of people by providing goods of their choice at comfortable prices and places. Thus, marketing makes human life easier.
7. **Enriches Society:** Many firms encourage their employees to participate in activities that benefit their communities and invest heavily in socially responsible actions and charities.

B. Importance of Marketing to Companies

Marketing is said to be the eyes and ears of a business organisation. This is so because marketing keeps the business in close contact with its economic, political, social and technological environment and informs it of events that can influence its activities as per the requirements of the market. Following are the advantages of marketing to business firms.

1. **Helps in income generation:** Marketing helps in manufacturing products and services. No firm can survive unless it markets its products. Thus marketing helps in generating revenue or income for the firm. In short, marketing is the only revenue producing activity for the organization.
2. **Helps in planning and decision-making:** Marketing planning is an integral part of overall business planning. It helps in formulating marketing strategies and decisions.
3. **Helps in distribution:** Marketing helps the firm in selecting the distribution channels that deliver goods to the consumer conveniently at minimum cost.
4. **Helps in exchanging information:** Marketing gives up-to date information to the top management about nature and character of demand.
5. **Expands global presence:** Today many firms such as Honda, Sony, Nestle, Coca Cola etc. operate in almost all countries. This is made possible through marketing.
6. **Helps to earn goodwill:** Marketing earns goodwill for the company.

C. Importance of Marketing to Consumers

Marketing is very important for consumers also. The importance of marketing to consumers can be seen as under.

1. **Provides quality products:** Marketer undertakes research and development activities. This helps in improving the quality of products. In this way, the consumers get better quality products.
2. **Provides variety of products:** Marketing facilitates production and distribution of a wide variety of goods and services for use by the consumers. On the basis of information collected form markets, the production department produces variety of products.
3. **Helps in selection:** Marketing provides variety of products to the consumers. These products are available in different sizes, designs, colours and prices. In this way, marketing provides various options to consumers.
4. **Consumer Satisfaction:** Today the goal of marketing is consumer satisfaction. Consumers can buy products according to their needs and wants.

D. Importance of Marketing to Economy

Marketing is a key ingredient in economic growth. It stimulates research and innovation. The importance of marketing to the economy may be studied as under.

1. **Saves the economy from depression:** Marketing makes fullest utilization of the existing capacity of the firms. During depression, the purchasing power of consumers is very low. Marketing develops new markets and adopts promotional tools to save the economy from depression.
2. **Increase in national income:** As already stated, marketing provides employment opportunities. Thisincreases the income of the people. The higher income of the people facilitates expansion of markets. Thus production and consumption increases. This ultimately increases the national income.
3. **Economic growth:** The economic system moves forward with the marketing activities by using the scarce resources effectively to produce useful commodities and meet the consumption needs of the society. In this way, marketing facilitates economic growth.

Marketing Concepts

Marketing concepts means the philosophy, belief or attitude of the management of a firm which guides its marketing efforts.

Types of Marketing Concepts

All companies will not adopt the same marketing concept. There are different marketing concepts or marketing management philosophies under which business enterprises conduct their marketing activities. All marketing concepts can be broadly classified into two-traditional concepts and modern concepts.

Traditional Concepts

1. **Exchange concept**: Exchange is the origin of marketing activity. When people need to exchange goods, they naturally begin a marketing effort. Wroe Alderson (a leading marketing theorist) has pointed out, "It seems altogether reasonable to describe the development of exchange as a great invention which helped to start primitive man on the road to civilisations". The exchange concept holds that the exchange of a product between the seller and the buyer is the central idea of marketing.
2. **Production concept**: The production concept holds that the consumers prefer the goods which are easily available at lower prices. Therefore, it is necessary to produce in large quantities at lowers costs. Henry Ford is an example of production-oriented entrepreneur.
3. **Product concept**: It is a belief of the management that consumers favour the products of superior quality, better performance and innovative features. Therefore, successful marketing requires continuous product planning and development and improvement in quality standards. It is based on the assumption that" a good product will sell itself".
4. **Selling concept**: This concept assumes that consumers will not buy goods voluntarily. The seller must, therefore, undertake a large scale selling and promotional efforts, Emphasizing upon the selling concept, Sergio Zymen, Coca-Cola's former Vice president of Marketing has said, "The purpose of marketing is to sell more stuff to more people more often for more money in order to make more profits".

Modern Concepts

1. **Marketing concept**: This is the modern concept of marketing or marketing philosophy. This concept holds that the primary task of a business firm is to study the needs, desires and preferences of the potential consumers and produce goods which are actually needed by the consumers. When an organisation practices the marketing concept, all its activities are directed to satisfy the consumer. Successful companies realise that a satisfied customer is the best advertiser for their product. Profits are generated not from their production, products or selling efforts, but from the satisfaction of consumers. Consumers are marketing assets.

2. **Features of Marketing Concept (Modern Concept)**

a. The consumer is the key. Therefore, the satisfaction of consumer is the prime object of an enterprise.

b. A business enterprise has dual objectives of customer satisfaction and profit maximisation. Profit is a by-product of supplying what the customer wants.

c. Needs and wants of customers must be identified properly and deeply before starting production.

d. Goods must be produced according to these needs and wants.

e. All the resources of production must be utilised to their best extent so that the cost of production may be minimised.

2. Societal concept: Modern business is regarded as an integral part of society. An activity which satisfies human needs may be detrimental to the interest of the society at large. Firms should not only consider consumer wants and profits but also society's interests while making their marketing decisions. Thus, societal marketing concept is a management philosophy that takes into account the welfare of society, the organisation and its customers.

3.**Holistic marketing concept**: Holistic marketing concept is a new marketing concept. Holistic marketing recognizes that "everything matters" with marketing. There are four components of holistic marketing concept. They are relationship marketing, integrated marketing, internal marketing and social responsibility marketing. Holistic marketing concept is based on the principle that marketing is not a department but it is pervasive throughout the company.

Marketing Management

Successful marketing does not generally come about by accident. For this, marketing should be managed effectively.

Meaning of Marketing Management

Marketing management simply means the management of marketing activities. It is the application of management tools and techniques in the efficient utilisation of available marketing resources. It involves planning, implementation and control of marketing programmes included in the process of marketing.

In the words of Kotler and Keller, "Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value".

Thus, marketing management is the process of planning, organising, directing, controlling and evaluating the efforts of an organisation for the purpose of achieving the marketing goals such as customer satisfaction and profit maximization.

Marketing Management Tasks

There are four basic marketing management tasks. They are as follows:

1. **Conversional marketing**: This task is needed when there is a negative demand. Negative demand exists when majority of consumers dislike the product or service. For example, vegetarians have a negative demand for meats of all kinds. Here the challenge for marketing management is to develop a plan or strategy that will try to convert the negative demand into a positive one. The marketing needed for this is known as conversional marketing. In other words, conversional marketing means using marketing communications to maximise conversion of potential customers (prospects) to actual customers.

2. **Developmental Marketing**: This task is required when there is latent demand for a product or service. Latent demand means that a substantial number of customers in the market strongly share the need for a product or service that does not exist now at all. For example, owning a passenger car is the ultimate dream of an Indian middle class family. Developmental marketing is the task of developing latent demand for a product or service into its actual demand.

3. **Remarketing:** The task of finding or creating new uses or users or satisfaction for an existing product is also known as remarketing.

4. **Maintenance marketing**: The task of continuously monitoring the demand level and maintaining at the full level is known as maintenance marketing.

REVIEW QUESTIONS

A .Objective Type Questions

Fill in the blanks

1. Marketing is a process of converting the potential customers into .... customers
2. When a firm practices .... concept, all its activities are directs to satisfy the consumer
3. Modern marketing begins and ends with the.................
4. ....concept is based on the principle that marketing is not a department but it is pervasive throughout the company.
5................ simply refers to product planning

Ans.1.actual 2.marketing 3.consumers 4.holistic marketing 5.merchandising

B. Short Answer Type

1. Define market
2. What is the social value of marketing?
3. Distinguish between need and want
4. Distinguish between merchandising and marketing.
5. What do you mean by conversional marketing?
6. What is remarketing?

C. Short Essay Type

1. Explain the value of marketing
2. Explain briefly the core marketing concepts
3. Distinguish between market and marketing?
4. Explain the modern concept of marketing?

5. Explain briefly the new marketing realities
6. Explain briefly the various management tasks.

D. long Essay Type

1. Define marketing. Discuss the importance of marketing
2. Define marketing concepts. What are the important marketing concepts followed by marketers?
3. Define marketing. How does it differ from selling?
4. Discuss the major obstacles in the development of marketing in India.
5. Define marketing. Discuss the value of marketing.

b. ANALYSING CONSUMER MARKETS

Consumer is the reason why business exists. Without them a company can neither survive nor thrive. In their absence, an organisation does not have a 'business' or purpose. The main business of a company is to satisfy consumers' needs and wants. Customer satisfaction is the key to organisational success. Therefore, a marketer must have a clear understanding of his consumers and their behaviour. It is only through understanding consumers and their behaviour, a marketer can attempt to satisfy customers' needs and wants.

Difference between Consumer and Buyer

Everyone in this world is a consumer, from birth to death. The moment a person is born, he or she starts consuming products or services. In fact, consumption starts even before birth-a baby in a mother's womb is nourished by the food the mother consumes.

In simple words, a consumer is a person who consumes or uses a product or service. According to international Dictionary of Management, "Consumes are purchases of goods and services for immediate use and consumption". Thus consumer is an ultimate user of a product. But buyer is a person who buys goods either for resale or for use in production or for use of somebody else. For example, if a man buys saree and his wife uses it, he is called a buyer. Therefore, the two terms 'consumer' and 'buyer' are different in the true sense. However, in the Consumer protection Act (1986), the term consumer includes buyer also.

Difference between Consumer and Customer

Customer is one who purchases a product or services either for his own consumption or for others. He is a person who regularly buys a particular product or buys regularly from a particular shop. For example, a mother buys baby food regularly for her baby. She is the customer and her baby is the consumer. There is another view about the difference between consumer and customer. According to this, the term consumer is used to represent situations where a product can be directly consumed. The term customer is used to deal with situations where the products cannot be directly consumed. Thus we are consumers of food and drugs but customers in case of garments, durables, cars etc.

Meaning and Definition of Consumer Behaviour (Consumer Buying Behaviour)

Behaviour simply refers to doing of anything. In the words of Great Poet Goethe, "Behaviour is a mirror in which everyone displays his/her image". Like learning and loving, buying is a type of behaviour that can be guided and modified by actions and reactions. Consumer behaviour is a study of why people buy. It is the behaviour of the consumers at the time of buying or using goods or services. In the words of Walters and paul, "Consumer behavior is the process whereby individuals decide what, when, where, how and from whom to purchase goods and services". Thus, consumer behaviour is the study of how people buy, what they buy, when they buy, and why they buy products or services. In short, consumer behaviour means the process as to how consumers make their purchase decisions to meet their needs.

Difference between Consumer Behaviour and Buyer Behaviour

Even though the terms consumer behaviour and buyer behaviour can be interchangeably used, these two terms are different in true sense. Consumer behaviour involves the behaviour of ultimate consumes (i.e., individual consumers). But buyer behaviour involves the behaviour of industrial customers (organisational buyers). They make further value addition to the product to sell it to ultimate or final consumer or end users.

Consumer Buying Process (Consumer Decision Making Process)

Buying is a mental process. A decision to buy a product is taken after passing through different stages. Actual purchasing is only one stage of the process. In case of some products the consumer takes the buying decision immediately without much consideration. These are items of daily consumption. In case of some other products, mainly luxury or durable items,.the consumer thinks carefully before taking a buying decision. Sometime the consumer consults others for arriving at a decision to buy.

According to Robinson, Faris and Wind (in 1967) the buying decision process involves the following five stages or steps:

1.Recognition of an unsatisfied need (Problem recognition): Every individual has needs. In fact, all buying decisions start with need recognition. People always seek to satisfy their needs. When a need is not satisfied (unfulfilled need), it creates tension in the individual. This tension drives people to satisfy that need. Then, the need becomes a motive. Thus motives arise from needs and wants. Suppose all friends of Raju have car. He has no car. Slowly a desire to have a car develops within him. This desire becomes a need. This need turns into a want and then into a motive.
2.Identification of alternatives: After recognizing a need or want, consumers search for information about the various alternatives (or substitutes) available to satisfy it. If the needs is usual, such as hunger, thirst etc. the consumer may rely on past experience of what satisfies this need. For example, if we are thirsty, we may buy lemon juice because we know from past experience that this will satisfy our internally driven need. 3.**Evaluation of alternatives**: By collecting information during the second stage, an individual comes to know about the brands (alternatives) and their features. Now he compares the alternative products or brands in terms of their attributes such as price, quality, durability etc.

4.Purchase Decision: Finally, the consumer arrives at a purchase decision. Purchase decision can be one of the three, namely, no buying, buying later and buying now. If he has decided to buy now, he will decide the shop (dealer) to buy it from, when to buy it, how much money to spend etc. After deciding these, he will go to the shop chosen and buy the product of the brand chosen.

5.Purchase behaviour: Post purchase behaviour refers to the behaviour of a consumer after purchasing a product. After the consumer has actually purchased the product/brand he will be satisfied or dissatisfied with it. This satisfaction or dissatisfaction will result in certain consequences. If he is satisfied with the product, he would regularly buy the brand and develop a loyalty. He recommends the brand to his friends and relatives. If he is dissatisfied with the product he may stop buying more products of that brand and develop a loyalty. He recommends the brand to his friends and relatives. If he is dissatisfied with the product he may stop buying more products of that brand and may also spread bad words about the brand (negative word of mouth). He feels mental tension also. This negative feeling which arises after purchase causing inner tension is known as *cognitive dissonance* (or post purchase dissonance). It simply refers to the dissatisfaction of a consumer with his/her product/brand after purchasing it.

Factors Influencing Consumer Behaviour/Buying Decisions (Determinants of Consumer behaviour)

Throughout the buying process, various factors may influence the buyer. All these factors which determine the buyer or consumer behaviour are broadly classified into six-Psychological factors, Social factors, Cultural factors, Personal factors, Economic factors, and Environmental factors. These may be discussed as follows:

A. Psychological Factors

Consumers are influenced by psychological factors. We know that human behaviour is the outcome of an individual's mental process. This mental process (i.e., psychological factors) influences the consumer behaviour also. These psychological factors influence the reason or 'why' of buying. The following are the important psychological factors:

1.Consumer needs and motivation: Every individual has needs. In fact, all buying decisions start with need recognition. People always seek to satisfy their needs. When a need is not satisfied (unfulfilled need), it motivates or drives people to satisfy their needs. When a need is not satisfied (unfulfilled need), it motivates or drives people to satisfy that need. Then, the need becomes a motive. Thus, motives arise from needs and wants. In other words, motive is a stimulated need which and individual wants to satisfy. The force that converts needs into motives is called motivation. Thus, motivation is a driving force within an individual which impels him to action to satisfy their needs.

Need $\rightarrow$ Motive $\rightarrow$ Drive $\rightarrow$ Action

According to Maslow, there are 5 types of human needs (1954). They are:

(a)**Physiological needs:** These are considered to be the basic needs. These include food, water, shelter, clothing, sex etc.

(b) Safety or security needs: These include safety, protection etc.

(c) Social needs: These include love and affection, sense of belonging, friendship etc.

(d) Esteem or ego needs: This category includes need for self-esteem, recognition, status, respect etc. Most of the luxury items are purchased to satisfy these needs.

(e) Self actualisation: These needs are the result of one's desire to get the maximum of one's capabilities.

These include the need for self-development and realisation of goals in life.

The hierarchy explains that, first,individuals want to satisfy physiological needs. Once these needs are satisfied, individuals will seek to satisfy safety needs. As each level of need is satisfied, individuals move to the next level.

1.Perception: Our senses play a major role in the way we see things. Psychologists call it 'perception'. Perception is the process of selecting, organizing and interpreting information in order to give meaning to the world or environment we live in. It means how we see the world surroundings us.

2.Learning: Learning greatly influences consumer behaviour. Learning is the process of acquiring knowledge. It is the changes in behavior though experience. Generally, learning results in four ways – listening, reading, observing and experiencing.

3.Beliefs and Attitudes: Perception and learning teach the people to form beliefs and attitudes. These beliefs and attitudes influence buying behaviour. A belief is a descriptive thought that a person holds about something. Such thoughts are based on learning, opinion or faith. For example, a consumer believes that Maruti cars are less costly and fuel efficient.

B. Cultural Factors

Human beings live in a society and culture resides in every society. Culture determines and regulates our general behaviour. The type of products and services we buy are influenced by the overall cultural environment in which we grow. The various cultural factors influencing buying behaviour are briefly discussed as follows:

1.Culture: Culture simply refers to values and beliefs in which one is born and brought up.

1. **Sub-Culture:** Culture within a culture is called sub-culture. Sub-culture is based on religion, language, geographic region, nationality, age, gender etc.
2. **Social Class:** There is a relationship between social class and consumption pattern. A social class is a group of people with similar values, interest and behaviour within a society. It is the group of people who share the equal economic position.

C. Social Factors

As Aristotle said, man is a social animal. Everyone wishes to associate with another. The social factors influence our general behaviour as well as buying behaviour. The major social factors determining consumer behaviour are as follows:

Reference group: Consumer behaviour is influenced by various groups within society. These groups are known as reference groups. A reference group is a group of people with whom an individual associates.

1.Role and status: A person takes up many roles in different situations in his/her life. He can be son, husband, father, employee, friend, teacher and a club member. A role consists of the set of activities a person is expected to perform in a particular position. Each role has a status. In a modern society, status comes from achievements, source of income, materialistic ownership of products and properties. A person's role and status influence his general as well as buying behaviour. For example, a father who is a teacher wants to buy a laptop. But his son who has just entered college wants a motor cycle. Such a situation may have a bearing on an individual's buying behaviour.

2.Family: Family is one of the important factors influencing buying behaviour. In 4th century B.C, Aristotle defined family as, the association established by nature for the supply of man's every day wants. We can define family as two or more persons related by blood, marriage or adoption that live together. Families are sometimes referred to as households. But all households are not families. A household may include individuals who are not related by blood, marriage or adoption, For example, unmarried couple, family friends, roommates etc. are households but not families.

D. Personal Factors

1. A person's buying behaviour is shaped by his personal characteristics or personal factors. These personal factors are unique to a particular person. These factors include demographic factors. Important personal factors influencing buyer behaviour are as follows:
2. Age
3. Stages in the life cycle (family life cycle)
4. Occupation and economic status
5. Life style
6. Personality
7. Self-image

E. Economic Factors

The various economic factors which determine consumer behaviour, may be briefly discussed as below:

1. Personal Income
2. Family Income
3. Income expectations
4. Savings
5. Liquidity position
6. Consumer credit

F. Environmental Factors

Consumer behaviour is influenced by environmental factors also. The environmental factors determining consumer behaviour are briefly discuses as follows:

1. Political situation
2. Legal forces
3. Technological advancement

Market segmentation

Consumers are too many. They are widely scattered. They have different needs, wants, likes, attitudes, beliefs etc. They vary in tastesand choices, consumptions, and buying requirements. They represent different geographical locations. Their age, occupation, income, education etc. are different. Companies divide the market or group customers on the basis of location, income, age, education, sex etc. so as to enhance satisfaction to consumers and profit to the marketer. This process is known as segmentation.

Meaning and Definition of Market Segmentation

The concept of market segmentation was introduced by Wendell R. Smith in 1956. Market segmentation is a 'divide and rule' strategy. Market segmentation simply means dividing market or grouping of customers. It is the process of dividing a market into different groups of consumers having similar needs or characteristics. It refers to grouping of customers according to such characteristics as income, age, race, education, sex, geographic location etc. For example, a hotelier may sub-divide his customers as vegetarians and non-vegetarians. According to Alan A Robert, "Market segmentation is the strategy of dividing markets in order to conquer them'.

According to Kotler, "Market segmentation is the subdividing of market into homogenous subsections of customers, where any subsection may conceivably be selected as a target market to be reached with a distinct marketing mix".

Market Segmentation Process

The steps in segmenting a market are as follows:

1. **Establish overall strategy or objectives**: The first step in the segmentation process is to establish the objectives of the firm's marketing strategy clearly.
2. **Decide the bases for segmenting the market**: This is a very important step in the segmentation process. There are several methods by which a market can be segmented. The marketer has to decide whether demographic or psychographic or some other bases | should be used for segmenting the market. For deciding this, the firm must have a clear idea about the market characteristics, consumers buying pattern, buying behaviour etc.
3. **Select segmentation variables**: After deciding the basis of segmentation, the firm has to select the segmentation variables. For example, if a firm has selected demographic as a basis, it may use age, sex, occupation, income etc. as variables for segmenting the market.
4. **Profile the segments**: profiling helps marketing managers to characterize large, identifiable

groups within a market.

5. **Evaluate segment attractiveness**: This is done by estimating the profit contribution expected from each segment.
6. **Select Segment/s (or target market)**: As already stated, marketer cannot serve all segments even if the segments are profitable. Normally, a firm selects only the most profitable segment where it can serve more effectively. This process is called target marketing.

Need for segmentation

The need for segmenting market arises due to the following:

1. Varieties of products are available in the market. Different people prefer different products.
2. It is necessary to plan the products as per the targeted group of customers' need and wants
3. It is necessary to develop pricing strategy.
4. it is required to develop pricing strategy
5. It is necessary to arrange physical distribution as well as selection of channels.
6. It is needed for packing a product as well as for developing an appropriate packaging.
7. It is needed for selection of brand ambassador.
8. It is necessary to get competitive advantage.

Importance (or Advantages or Benefits) of Market Segmentation

According to Sheth, "Market segmentation is the essence of modern marketing". Market segmentation is advantageous to firms as well as consumers.

A. Advantages to Firms

1. Increases sales volume
2. Helps to prepare effective marketing plan
3. Enables to take decisions
4. Helps to understand the needs of consumers
5. Helps to win competition
6. Makes best use of resources
7. Achieves marketing goals
8. Expands markets
9. Specialised marketing
10. Creates innovations
11. Higher market share

B. Advantages to Consumers

1.Customer oriented

Quality products at reasonable price

Other benefits

Patterns of Segmentation (Market Coverage or Segmentation Strategies)

After having identified the various segments in a market, the next steps in to decide which target segments or target markets the manufacturer will focus on. This is decided after taking into consideration certain factors such as size of the segment, the strength of the competitors and the amount of time and money needed to reach potential buyers. The manufacturers can adopt one or other of four important strategies.

1. **Undifferentiated marketing:**Under this strategy, the producer or marketer does not differentiate between different types of customers. He has only one marketing strategy for several market segments and has only one type of product to be produced and marketed. In short, under undifferentiated marketing, one marketing mix is used for the whole market. Soft drinks like Campa-Cola, Thums-Up etc. come under this head.
2. **Differentiated marketing**: In the case of differentiated marketing, a number of market segments are identified and a different marketing mix (or strategy) is developed for each of the segments. This is probably the most popular segmentation approach. Particularly for consumer products.
3. **Concentrated marketing**: Concentrated marketing is concerned with the concentration of all marketing efforts (or sources) on one selected segment within the total market. The producer or marketer selects a market where there is a little or no competition and it can do the best in that segment.

4.Customised or personalised marketing: In this case the firms view each customer as separate segments customise marketing programmes to that individual's specific requirements. This approach necessary in certain types of industrial markets where the product cannot be standardised. For example, civil engineering firms must design each bridge or road to meet the specific requirements of the customers. This approach is also used for many consumer services such as interior design and home repairs.

4. These concepts can be classified in the following diagrams:

Bases of Market Segmentation (Methods of Segmentation)

Market can be segmented in a number of ways. In other words, there are several bases for segmenting a market.

All bases of segmentation (of consumer markets) can be broadly put into four categories: (1) Demographic segmentation, (2) Psychographic segmentation, (3) Geographic segmentation, and (4) Behavioural segmentation.

1.Demographic Segmentation: The word Demography is derived from two Greek words – 'demos' and 'graphein'. Demos means people and graphein means to measure or to study. Thus demography means study of people or population. It is the statistical, study of human population and its size, density, location, age, sex, race, occupation, education etc. Demographic variables or characteristics are the most popular bases for segmenting the market. some of the demographic variables used area as follows:

1. age
2. Sex
3. Family life cycle
4. Religion
5. Income
6. Occupation
7. family size
8. Education

2. Geographic Segmentation: This is the simplest form of segmenting the market. Here, the marketer divides the market into different geographical units. Generally, international companies segment market geographically. The theory behind this strategy is that people who live in same area have some similar needs and wants and that these needs and wants differ from those of people living in other areas. For instance, in India, South Indians prefer rice whereas North Indian prefers chapattis.

Consumers can be classified on the basis of geographical area, climatic conditions, density of population etc.

(a) Area:
(b) Climate
(c) Population density

1. Behavioural Segmentation: Another way to segment a market is to classify customers on the basis of their knowledge of product, attitude towards the product, use of the product, response to products or product characteristics. This approach is known as behavioral segmentation. In short, behavioural segmentation is based on buyer behaviouri. e. the way people behave during and after purchase. The market is segmented on the basis of the following factors.

(a) Attitude
(b) Product segmentation
(c) Occasion segmentation
(d) Benefit segmentation
(e) Volume segmentation
(f) Loyalty segmentation

2.Psychographic Segmentation: Demographic segmentation is the study of people from the outside. But psychographic segmentation is the analysis of people from the inside. The term ‘psychographic’ was coined by marketing researcher Emanuel Demby. Psychographic segmentation refers to grouping of people into homogeneous segments on the basis of psychological makeup namely personality and life style. In addition to personality and life style, psychographics include attitude, interest and opinion. In short, when segmentation is based on personality and life style characteristics, it is called psychographic segmentation. Under psychographic segmentation market is segmented on the basis of the following factors:

(a) Life style
(b) Personality
(c) Social class

Target Marketing (Targeting)

These days the firms find it difficult to practice mass marketing. There are several sub-markets which differ each other significantly. Hence many companies resort to target marketing. Under this strategy, marketers develop a separate product for each target market. They adjust the pricing, distribution and advertising to reach the target market most efficiently.

Meaning of Target Marketing

A target market is a group of customers at whom the entire marketing efforts are directed. It is a specific group of buyers on whose needs and wants a company focuses its marketing efforts. In target marketing, the seller identifies the parts (or segments) of the market, selects one or more of them and develops suitable products and other elements (price, place, promotion) for each target market selected.

Thus, target marketing (or targeting) is the process of assessing the relative worth of different market segments and selecting one or more segments in which to compete. These become the target segments.

Approaches for Selecting Target Markets (Target Marketing Strategies)

Once a firm understands its markets and the appropriate bases for segmenting those markets, it must choose an approach for selecting its target markets. There are three different approaches for selecting target markets. They are as follows.

1.**Total market approach**: In the total market approach, a company develops a single marketing mix and directs it at the entire market for a particular product.

2.**Concentration approach**: Under this approach, an organisation directs its marketing efforts towards a single market segment through a single marketing mix. The total market may consist of several segments, but the organisation selects only one of the segments as its target market.

1. **Multi-segment approach**: In this approach, an organisation directs it marketing efforts at two or more segments by developing a marketing mix for each segment. This approach is used by Coca-Cola, P & G, Toyota, General Foods, Sony etc.

Advantages of Target Marketing

1. Since the resources are limited, a firm cannot go to the entire market. By adopting target

marketing it can put all of its efforts on one or more segments selected.

2. It enables a firm to tap marketing opportunities better
3. The firm can offer the most suitable product to each target market. Thus it can serve the target audience (customers) better. This enables to develop new develop new loyal customers.
4. Through target marketing a firm can expand the market share.
5. It is possible to build up company image in the target market.
6. Target marketing is particularly suitable in case of services.

Steps in Target Marketing

Target marketing involves the following four major steps:

1. **Market Segmentation**: Segmentation is the basis of target marketing. Markets are segmented on the basis of certain characteristic such as sex, education, income, age, life style, geographical area etc.
2. **Market targeting**: Market targeting refers to evaluating each market segment's attractiveness and selecting one or more of the segments to enter. Thus target marketing and market targeting are not one and the same. Market targeting is only a step in target marketing.
3. **Designing the marketing mix**: After selecting the segment, the next step is to design a suitable product and other marketing mix elements for each segment selected.
4. **Product positioning**: Market segmentation strategy and market positioning strategy are like two sides of a coin. In other words, target marketing begins with segmentation and ends with positioning.

A. Objective Type Questions

Fill in the blanks

1. ....is the process whereby individuals decide what, when, where, how and from whom to purchase goods and services.
2. The negative feeling which arises after purchases causing inner tension is known as.................
3. ....means buyer group with similar wants, purchasing power, geographic location or buying habits.
4. Ans. 1.Consumer behavior 2.Cognitive dissonance 3.Market segment.

B. Short Answer Type

1. What do you understand by consumer behaviour?
2. What is customer (consumer) delight?
3. Define perception
4. Define market segmentation
5. What is behavioural segmentation?
6. What is concentrated marketing?

7. What is market targeting?

B. Short Essay Type

1.Distinguish between consumer and buyer
2.What is the importance of study of consumer behaviour?
3.Distinguish between consumer behaviour and buyer behaviour
4.What are the steps involved in buying decision process?
5.What are the different patterns of segmentation?
6.What are the various factors influencing market segmentation?
7.What is target marketing? What are the approaches for selecting target marketing?
8.What is the importance of target marketing?
9.What are the steps involved in target marketing?

Long Essay Type

1. Define consumer behaviour. What are the various factors influencing consumer behaviour
2. Define market segmentation. What is its importance? Explain the various steps involved in market segmentation
3. Discus the various bases (or methods) of market segmentation.

MODULE-02

Fundamentals of Product Management

All begin with the product. If there is no product, there will be no pricing, no physical distribution and no promotion. That is why product is considered to be the most tangible and important single component of the marketing programme. A product must satisfy the needs and requirements of the consumers. If a companies' product does not meet its customers' needs and desires, the company will fail.

Definition of Product

Product is the reason for marketing and the object of advertisement. In the simplest sense, a product can be defined as "everything the purchaser gets in exchange for his money". It is bundle of satisfactions (or utilities) that a consumer buys. It may be an article (PC), commodity (coconut), service (airlines), idea (youthfulness) or place (Cochin) or concept (family planning) or organisation (Blind Federation of India).

According to Jobber (2004), "a product is anything that has the ability to satisfy a customer need". Thus, a product may be defined as something that can be acquired through exchange to satisfy a need or want. In short, aproduct is any tangible offering that might satisfy the needs or aspirations of the consumers.

Levels of Product (Customer Value Hierarchy)

A product is like an onion with several layers and each of the layers contributes to the total product image. The different layers or aspects or dimensions of a product are:

1. **Core product (core benefit):** The most fundamental level is core benefit or core product. It is the fundamental benefit that a product delivers. Generally, a customer buys a core product or its core benefit. In short, it is the service or benefit that the customer is really buying. For example, rest and sleep in hiring a room in a hotel, tasty meal in a hotel, entertainment in case of rock music etc.
2. **Basic product**: This is the actual product a consumer is buying. It is the version of the product containing those characteristics or attributes absolutely necessary for it to function. For example, a hotel room includes basic products such as be, bathroom, towels, fan, table, chair water etc. Basic products is also called generic product. In short, it is the product in its naked form.
3. **Expected product**: This is a set of attributes and conditions buyers normally expect when they purchase a product.
4. **Augmented product**: This is what the customer gets more than his expectations in products. For example, Colour TV, shampoo, room slippers, room telephone, air conditioner etc.

Potential products: This is the highest level which can incorporate all the possible benefits the product provides today and tomorrow. For example, free breakfast, welcome drink, high speed internet etc. in a hotel. Similarly, in the future, cars may have mobile office and interactive computers.

Product Concept

The term product concept was used by Theodore Levitt. According to him, "product concept refers to the augmented product or the aggregate of satisfactions that a user obtains". For example, if a firm sells an offset printing machine to a customer, it may augment the product in several ways. It may (1) provide long term credit facility; (ii) assure a timely supply of spare parts (iii) give a guarantee for a number of years, (iv)periodical servicing, and (v) machine. Here the buyer does not merely buy the offset printing machine but also buys the augmented product – the product augmented by financial warranty, service, credit etc. Thus product concept refers to total product. It provides a reason for buying the product.

Classification of Products or Goods

Products can be classified into three groups according to their durability or tangibility.

1.Non-durable goods: These goods are consumed fast and purchased frequently. Examples include soap, salt etc.

2.Durable goods: These goods can be used for a long time. In other words, they can be used again and again. Hence they are not purchased frequently. Examples include refrigerator, machine tools, clothing, furniture etc. The purchases of durable goods can be postponed.

3.Service: These are activities, benefits or satisfaction offered for sale. Examples include haircut, repairs, train journey etc. Service are intangible, inseparable, variable and perishable,

On the basis of consumption, goods can be clarified into two-consumer goods and industrial goods.

1. **Consumer goods**: Consumer goods are those which are purchased for final consumption. These goods are purchased by ultimate consumers to satisfy their wants directly. Examples include rice, potato, milk, pulses, detergents, tooth paste, blade, shoe, pen, paper, two wheelers, furniture, TV, car, books, audio system etc.

Characteristics of Consumer Goods

Consumer goods have the following essential features:

2. Final Consumption
3. Finished products
4. Utility
5. Associated services
6. Brand name
7. Symbolism
8. Communication packages
9. Numerous buyers
10. Small quantity purchase
11. Personal consideration

Classification of Consumer Goods

On the basis of shopping habits consumer goods can be classified into four convenience goods, shopping goods, specialty goods and unsought goods.

(a) **Convenience goods**: Convenience goods are those which the consumers usually purchase frequently or immediately and with little effort from convenient location. Examples include magazines, cigarettes, salts, biscuits, umbrellas, rice, pulses, drugs, milk, bred and the like.

(b) **Shopping goods**: Shopping goods are those which a consumer buyers after comparing the suitability, quality, price etc. of different brands. They are generally more expensive than convenience goods. Examples are clothing, furniture, shoes, jewellery.

(c) **Specialty goods**: These are goods which have special features (some unique characteristics) and buyers make special efforts to buy them. The buyer will by such goods from specialist retailers. For example to purchase Ray Ban sung glass the customer will be ready to search the shop where it is available and go there even if it is far off. The other examples are Titan Watch, Martuthi Zen, Nikon Camera.

(d) **Unsought goods**: These are goods the consumer does not know about or does not normally think of buying. For example, insurance policies.

1. **Industrial goods**: These goods are meant for use in the production of other goods or for some business or institutional purposes. These goods are not directly used by consumers. Industrial goods are classified into four-production facilities and equipment's, production materials, production supplies and management materials.

Difference between Consumer Goods and Industrial Goods

Following are the difference between industrial goods and consumer goods:

Industrial goods	Consumer Goods
1. Industrial goods are used by producers	1. Consumers good are used by final consumers
2. Demand for industrial goods is derived from consumer goods	. Demand for consumer goods is director or primary demand
3. Industrial goods are available for further production	3. Consumer goods are available for final consumption
4. Volume of purchase of industrial goods is high	4. Volume of purchase of consumer goods is low
5. Channel of distribution of industrial goods is short	5. Channel of distribution of consumer goods is long

Product Development

Product development simply means the introduction of new products in the existing market. It includes the technical activities of product research, engineering and design.

New Product Development

A firm develops new products as a means of enhancing its product mix. Introducing a new product is very difficult because it involves long range planning. According to Frederick Webster, p roduct development includes a number of decisions, namely, what to manufacture or buy, how to have its packaging, how to fix its price and how to sell.

New product development is concerned with development and commercialisation of new products and elimination of unprofitable products. According to Station, "Product development encompasses the technical activities of product research, engineering and designing".

Stages in New Product Development

A marketer must have a planned programme of introducing new products which will be tomorrow's bread winners. The product development involves the following steps:

1. **Generating Product Ideas**: Ideas may generate from various sources. All the sources of product ideas may be classified into two. – Internal sources and External sources. Internal sources are R & D department, company's sales persons, employees, top management etc. External sources are customers, competitors, distributors, advertisement agencies, trade associations, external research firm, university laboratory etc.
2. **Screening of Ideas**: After generating the product ideas the next step is screening of these ideas. Many of the ideas generated for new products will not be suitable for a company. Therefore, the ideas collected are scrutinised and evaluated to eliminate unsuitable ideas. Only profitable and promising ideas are selected for further investigation. Screening ideas is the process of evaluating product ideas to judge whether they match company's objectives and policies.
3. **Concept Development & Testing**: the product idea should be converted into product concept. There is a distinction between product idea and product concept. Product idea is an idea for possible product that can be offered to the market. A concept is a detailed overview of the idea. It is a meaningful expression of the product in the light of consumers need. Suppose, a company had the idea of new type of snack bar that was high in vitamin C, then this idea (snack bar) might have several concepts as follows:
4. **Business Analysis**: At this stage the finally selected ideas is analysed to determine the desirable market features of the product and its feasibility. The product ideas are evaluated to determine its potential contribution to the firm's sales, cost and profits. Market or business analysis involves projection of future demand, financial requirement, cost estimates and profit. Anyway the starting point for any business analysis is a estimate of the total market potential. Marketing research is critical during this phase.
5. **Product Development**: The first four steps may be treated as 'preparation'. Now is the time to go into 'Action', but on a sampling basis. The product concept is now taken up by the research and development department for giving it a physical form. The process of development of a product includes for stages: (i) developing model (ii) testing of consumer's preference, (iii) taking decisions about brand including registration of patent, trademark etc., and (iv) deciding the packaging.
6. **Market Testing**: After the product has been developed, the marketer will have test the reactions of dealers and customers in handling and using the product and the size of the market.
7. **Commercialisation (Product launch)**: Commercialisation of product means large scale production and distribution of a product. In this stage the product is submitted to the market. Marketing programmes begin to operate; now the product starts its life cycle. This stage is considered to be crucial one and requires a careful consideration.

Packaging

Packaging is one of the elements of marketing mix. The importance of packaging has increased these days because of severe competition in the market and rise in the standard living of the people. **Definition of Packaging**

Packaging relates to the 'look' or physical appearance of a product when it is presented or sold to customers. Packaging refers to the activities of wrapping or enclosing the production in a container like bottle, tin, jar, bag etc. to facilitate transportation, storage and sale. In consumer goods, packaging described as silent salesman. This is so because of its "advertising appeal, identifying power and intrinsic value".

Role or Functions or Objects of Packaging (Need)

Functions of packaging are summarised as follows

1. **Protection:** It protects the contents of the product until it is consumed. It protects from adverse effects of weather, temperature, breakage, leakage etc.
2. **Convenience:** It facilities easy transportation, storage, usage and display
3. **Promotion:** It facilitates advertising of products. Through attractive colour and design it is possible to attract the attention of consumers. It conveys a product's image.
4. **Identification:** A package gives the product individuality. It differentiates a product form completion brands.
5. **Branding:** It facilitates branding of products as the name of the brand of design can be printed on the package.
6. **Information:** It establishes a meaningful communication with the consumer.

Advantages of Packaging

A. Advantages to Marketer

1. protects the product from being damaged or spoiled
2. Promotes product
3. Facilitate storage and transportation
4. Helps in branding
5. Enhances goodwill
6. Acts a silent salesman
7. Advantages to Middlemen
8. Facilitates transportation and storage
9. Easy display
10. Keep the product fresh and clean
11. Self-advertising
12. Advantages to Consumer
13. Convenient handling
14. Less possibility of adulteration
15. Easy identification

LABELLING

Labelling is an integral part of packaging. It gives verbal information about the product and the seller. It serves to identify a brand. Thus the purpose of labelling is to give the consumer information about the product he is buying and what it will and will not do for him. It is the display of important information on a product package. It contains name of producer, name of product, qualities of product, quantity of product, ingredients, ate of production, expiry date, instructions for use and storage.

In the words of Mason and Rath, "The label is an informative tag, wrapper or seal attached to product or product's package".

Kinds of Labels

There are four kinds of labels. They are:

1. **Brand label**: This simply gives the brand name or mark. For example, Britannia Biscuits, Vicks Vaporub etc.
2. **Grade label:** This gives the grade or quality of the product by a number, letter or word. For example. Product may be classified as A grade, B grade etc. or 1, and 2 category based on quality.
3. **Descriptive label:** It gives details of product, its functions, its functions, price, warnings, instruction etc.
4. **Information label:** It provides maximum possible information about the product. It is different from descriptive label in the sense that it contains fuller instructions on the use and care of the product.

Advantages or Functions of Labelling (Purposes)

1. It identifies the product or brand
2. It announces product description and useful information
3. it grades the product
4. It contains the prices of the product which cannot be varied by the sellers
5. It helps advertising

Disadvantages of Lebelling

1. It is of no use to the illiterate people
2. It increases the cost of the product
3. It is effective only where standardisation is necessary

Product and Service Differentiation

In standardised products, physical differences are insignificant and can be copied quickly. Therefore, producers create some psychological differences in their products. Such differences may not be tangible but they are significant to the consumers. The process of making the products different from competitors' products is known as product differentiation.

Meaning and Definition of Product and Service Differentiation

Product differentiation involves developing and promoting awareness in the minds of customers that the company's products differ from the products of competitors. According to Kotler, "differentiation is the act of designing set of meaningful differences to distinguish the company's offer from competitor's offers".

Importance of Product and Service Differentiation

Product and service differentiation provides the following benefits:

1. Helps to attract customer attention in the face of alternative products
2. Helps the consumers to identify the products and eliminate the confusion for them
3. Helps to build competitive advantage over other brands
4. Satisfies the demand of different segments of the market
5. Encourages non-price competition

BRANDING

When we name a child we invite a large number of people and announce the name of the new born to relatives and friends. This serves two purposes. One it gives an identity to the child. The other is to get on-the-spot suggestions for alternative names from the invities. Similarly, brand names give individuality and identity to products.

Meaning and Definition Branding

Each firm wants to identify its products and distinguish them from their competitors in the market. A firm does it by means of branding. Branding simply means naming a product for its identification and distinction. It means giving a name to the product by which it should become known and familiar among the public. In other words, it is the practice of giving a specific name or mark to a product or group of products of one seller. Pickton and Broderick (2001) describe branding as, "Strategy to differentiate products and companies, and to build economic value for both the consumer and the brand owner".

The word 'brand' is derived from the Norwegian word 'brandr'. It means 'to burn'. We can take this as imprinting an idea or symbol on a product.

Following are the important terms used in brand policy:

Brand: Brand is name, term, symbol, mark or design or a combination of them which is intended to identity goods or services of one seller or a group of sellers and to differentiate them from those of competitors, e.g., 'Everready'.

A brand is not simply a name. A brand incorporates the logo, symbol and design as well as the name. Think about Nike, the sportswear manufacturer. The Nike brand includes the name, the italic design of the name, the 'swoosh' and the logo 'just do it'. It is each of these factors, which gives Nike its unique identity.

Brand can be mathematically expressed as follows:

Brand = Quality + Image + Price or Brand = Product + Personality

A brand is a symbol of trust, warmth, value and loyalty. It is perceptual entity that lives in the consumers' mind.

Brands have two parts: The brand name and the brand mark.

Brand name: Brand name is that part of a brand that can be spoken including letters, words and numbers, e.g., HMT, 501 Soaps, Usha Fans etc. It is a combination of words used to identify a product and to differentiate it from other rival products.

Brand mark: It is a part of the brand which appears in the form of a symbol or design. It could be recognized only by sight,but cannot be spoken e.g., the symbol of maharaja of air India.

Trade mark

It is a legal term. When brand name or brand mark is registered and legalized it becomes a trade mark.

Brand, brand name, brand mark, trade mark and copy right are collectively known as the language of branding.

Difference between Brand and Trademark

The following are the important differences between brand and trademark:

Brand	Trademark
1. Name, Symbol, design or combination of these three	1.Registered brand
2. Can be copied	2.Cannot be copied
3. Limited Scope	3.Wide Scope
4. All brands are not trademarks	4.All trademarks are brands
5. Generally a symbol of the qualities of the product	5.Generally as symbol of its company

Reasons/Objectives/Functions of Branding

Brands are most powerful instruments of sales promotion. They perform the following functions:

1. It plays an important role in demand creation and pushing up sales. For example, brands such as Lifebuoy, Lux, and Colgate have great pulling power.
2. It makes the product attractive and popular
3. It helps in identifying the product and distinguish it from the goods of competitors
4. It helps in advertising and sales promotion programmes
5. It ensures uniformity of quality and satisfaction to buyers

Essentials or Characteristics of Good Brand

In selecting the brand name or design the following points may be considered.

1. The word selected for branding must be simple and easy to pronounce, e.g., Ariel, Lux, HMT etc.
2. It should be simple and memorable, e, g., BPL, Tata etc.
3. It must be attractive to the eyes and pleasing to ears.
4. The trade names must provide necessary suggestion about the products' benefits e. g., Bournvita, Nescafe etc.
5. The name should be appropriate and suitable to the product. For example, Sony (means sound).
6. It should suggest some product quality, e.g., Vicks Vaporub, Lipton Green Label Tea etc.
7. It should be illustrative and clearly distinctive from other brands.
8. It should not be outdated.
9. Good brands are those that immediately come to mind when a customer has a problem to be solved or a need to be fulfilled.

Types of Brands

The following are the different types of brands:

1. **Manufacturer brands:** These brands are developed and owned by producers, who are usually involved with distribution, promotion and pricing decisions for the brand.
2. **Private distributor brand (Dealer brands_):** These are brands initiated and owned by wholesalers or retailers.
3. **Generic brands:** These brands indicate only the product category and do not include the company name or other identifying terms. Products are plainly packaged and are thus unbranded.
4. **Family brand:** These use a single brand name for the whole line of closely related items. For example, Amul for milk products.
5. **Individual brand**: Each product has a special brand name such as surf, Chelpark ink etc.
6. **Co-brand:** It uses two individual brands on a single product
7. **Licensed brand:**A licensed brand is relatively new trend. Itinvolves licensing of trade marks.
8. **Advantages or Importance of Branding**

Brands are at the heart of marketing and business strategy. A brand is like a human being. It has personality, character, feelings and identity. A product may change. New features may be added or present features may be upgraded. But, a brand remains same. It represents investments in a 'name' and in goodwill. Brand is the most valued possession of a company. Take the name Maruthi away from the car. Now the car has no identity, no name, and no goodwill. How many people will buy it now? In the words of Jeff Bezos, “A brand for a company is like reputation for a person. You earn reputation by trying to do hard things well”.

Branding offers a number of advantages to manufacturers, consumers, distributors etc.

A. Advantages to Manufacturers

1. It helps in maintaining individuality for the product. This enables the manufacturer to distinguish his product from the similar products in the market.
2. It enables producers to popularise the product easily.
3. It creates good will for the product.
4. Manufacturers can directly control the prices of articles.
5. By branding the product, market expenses can be reduced.

A. Advantages to Consumers

1. It helps evaluating the quality of products.
2. It helps in preventing adulteration of goods by middleman.
3. Consumers can get products of uniform standard and design .
4. It enables the consumers to make easy buying.
5. It assures fixed prices to consumers .

B. Advantages to Distributors

1. It reduces the selling efforts (or risk).
2. It helps in advertising and sales promotion programmes .
3. There is stability in the prices of branded products. This reduces risk in business.
4. It reduces cost of distribution
5. It helps to find out quick moving products easily

Limitations of Branding

Branding suffers from the following limitations:

1. It is expensive.
2. It is not easy to build up brand reputation and loyalty.
3. Brand loyalty discourages the consumers from trying out other new brands which may give them larger utility and satisfaction

Difference between Branding and Grading

Branding	Grading
1. It means giving a distinct name or mark to a product for easy identification	1. it is the physical process of dividing the goods into uniform lot on the basis of standardisation
2. It is done for manufactured goods	2. It is usually done for agricultural goods.
3. It can widen the market	3.
4. There is no need of standardisation	4. Grading usually follows standardisation
5. It is done by using name, symbol, mark etc.	5. It is done on the basis of size, shape, weight, colour etc.

Difference between Product and Brand

Products	Brands
1. Made by company	1. Made by customers
2. Made by the company in the factory	2. Built through customer perception
3. Can be copied by competitors at any time	3. Cannot be copied by competitors
4. Can become obsolete	4.Can be timeless
5. Performa a function	5. Offer an emotion
6. Customers don't fall in love with	6. Customers fall in love with brand
7. Customers don't fall in love with product	7.Customers fall in love with brand
8. Fulfill need (e.g., needs coffee)	8. Fulfill want (e.g., personally wants Nescafe)

Brand Equity

Oscar Wile once said that a cynic is someone who knows the price of everything, but the value of nothing". He might have been talking about people's attitude towards their company's brands.

Meaning and Definition of Brand Equity

All brands have value just like physical assets have. Brands can be treated as assets along with physical assets like building, equipment etc. Many companies recognize that the brands they own may be more valuable them even their physical assets. A brand with strong brand equity is a valuable asset. A powerful brand has high brad equity. The term brand equity was first defined by

Farquhar in 1989. According to him, "Brand equity is the 'added value' with which a given brand endows a product".

Brand equity simply refers to value associated with a brand. It is the value inherent in a well- known brand name. It is the marketing and financial value associated with a brand's strength in a market. In short, brand equity is the value built-up in a brand.

Elements of Brand Equity

Brand equity refers to the value added to a product by a brand name. Brand equity has four elements or components. They are brand awareness, perceived quality, brand association and brand loyalty. These may be briefly explained as below.

Brand Awareness: Brand awareness measures how many consumers in a market are familiar with the brand and what it stands for and have an opinion about that brand.

1.Perceived Quality or Perceived Value: Brand awareness alone does not ensure a strong brand. Consumers might be aware of a brand but have a negative opinion of its value or the firm's reputation. Then the brand value will be less. Thus, perceived value is the relationship between a product's benefits or service's benefits and its cost.

2.Brand Associations: Brand associations refer to the mental links that consumers make between a brand and its key product attributes such as logo, slogan, or famous personality.

3.Brand Loyalty: Brand loyalty occurs when a consumer buys the same brand's product or service repeatedly over time rather than buying form multiple suppliers (or buying different brands) within the same category. Therefore brand loyal customers are an important source of value for companies. First, such consumers are often less sensitive to price. Second, the marketing costs of reaching loyal consumers are much lower because the firm does not have to spend money on advertising and promotion campaigns to attract these customers (they do not require an extra push to buy the firm's brands). Third, a high level of brand loyalty insulates the firm from competition because brand loyal customers do not switch to competitors brands even when provided with a variety of incentives. **Product life Cycle**

Everyone on this earth has a well-defined life cycle. All human beings take birth, educate themselves, grow then become old and one day die. This is known as the life cycle of human beings. The same way every product has a life cycle known as product life cycle. Like humans duration of life cycle varies. According to Arch Palton, "Life cycle of a product is akin to human life cycle from several angles. Like a man, the product also takes birth, rapid growth, attains maturity and then enters the declining stage". Thus, every product has a life cycle just like every living being has a life cycle.

Meaning and Definition of Product Life Cycle

Product's life begins with its market introduction, then goes through a period during which its market grows rapidly, eventually it reaches at maturity and then stands saturated. Afterwards, its market declines and finally its life come to an end. Thus a product passes through different stages. The stages through which a product passes are collectively known as product life cycle.

Product Life Cycle Stages

A product life cycle is divided into four stages – introduction (a need is planted), Growth (root takes place and leaves come out), Maturity (adulthood takes place), and Decline (plant begins to shrink and finally die). The various stages of product life cycle are discussed as follows.

1.Introduction: This is the first stage in the life of a product. After testing, a product enters the introduction stage and the product will then become available in the market. During this stage the sale are low.

2. Growth: During the growth stage, more customers begin to buy the product. This is because customers who purchased during the introduction stage are purchasing again or have recommended the product to colleagues, friends and family. Sales will begin to grow and the company, which has been incurring losses, begins to make profit. At this stage, competitors may enter the market. Sales reach their optimum level but the sales growth slows down. Cell phones and internet shopping sites are currently experiencing rapid growth.

3. Maturity: This stage has the longest duration. In the maturity stage, the demand for the product reaches a saturation point. Competition becomes severe. During this stage the manufacturers introduce new model or adopt methods such as trading in etc. to promote sales.

4. Decline: At this stage, sales began to fall. There may be a little or no profit. The production cost and inventory cost become larger. At this stage the competition becomes severe. Customers go for newer and better products due to technological development, change in taste etc. Therefore, sales start declining. This stage will lead to gradual phasing out of the product. Carbon paper, B & W Television sets, telegrams, typewriters, fountain pen etc. Are products that have entered decline stage (now telegram is no more). Demand for Kodak's film products is falling rapidly because the popularity of digital photography is rising.

Utility or Advantages of the Concepts of Product Life Cycle

The concept of PLC is useful in the following ways:

1. It helps in planning new products
2. It enables a producer to estimate the profits in different stage of the PLC
3. It helps in determining the cost of product development
4. It helps in designing different strategies for different stages of the product life cycle.
5. It helps in allocation of resources among different products
6. It helps in setting prices

Marketing strategies indifferent stages of PLC

Different stages of PLC require different marketing strategies. Let us examine the various marketing strategies that a company shall adopt in each stage of its PLC.

Introduction Stage

Pricing and Promotion Strategies: In this stage the management can adopt one of the following four strategies as far as pricing and promotion of new products are concerned.

(a)Rapid skimming strategy: This is the strategy of fixing a high price with high promotion expenses. This is done to earn more profits, develop the brand image and convince the buyers about the superior features of the product through high promotional efforts. This strategy will succeed when competition and market sizes are limited.

(b)Slow skimming strategy: Under this strategy, the price of the product is kept at a higher level but the promotional expenses are low. This is done to earn more profits by keeping the marketing expenses at a lower level. This strategy is usually adopted when the target market is small; potential buyers are aware of the product and are ready to pay a high price because of the non-availability of substitute products.

(c) Rapid penetration strategy: This is the strategy of keeping a low price with higher promotional expenses. This is done when the target market is large, competition is severe and the buyers are conscious about price and they are not aware of the product.

(d) Slow penetration strategy: This is the strategy of fixing a low price and keeping the promotional expenses also low. This is done to penetrate the market quickly.

Product Strategies: During the introduction stage, the management can adopt the following strategies with regard to product:

(a) Basic product offering: During the introduction stage, the company should offer, the basic version of the product.

(b) Quality: More importance should be given to quality of the product

(c) Product trial: Product must be provided for trial basis

Distribution Strategies: The following distribution strategies may be adopted in the introduction stage.

a).Selective distribution. During the introduction stage, it is desirable to distribute the product only through selected dealers in each area.

Growth Stage

Product Strategies: With regard to product, the following strategies may be adopted in the growth stage:

Price Strategies

With regard to price, the company can adopt the following strategies during the growth stage.

(a)Skimming strategy (Premium pricing strategy): If the firm has adopted penetration strategy during the introduction stage, the company can raise the price to some extent. This is done only if the product is clicked in the market.

(a)Penetration strategy: If the firm has used price skimming in the introduction stage, it may switch to low penetration when a large number of competitors appear or reduce the price step by step as more and more competitors enter the market.

(a)Parity pricing: During the growth stage, the company can adopt parity pricing. That is, price is set in line with the competitor's prices (charging the same price as is charged by competitors).

Promotion Strategies: During the growth stage, the following strategies can be adopted for promotion:

(a)Product conviction: Under this strategy, the emphasis is shifted from product awareness to product conviction or product preference. Here, the company makes efforts to convince the buyers that its products are superior compared to other brands, through advertisement.

(a)Unique product positioning: Under this strategy, unique positioning is created through the use of advertising.

Distribution Strategies: During growth stage, a company shall apply the following strategies for distribution:

(a)Intensive distribution: This is the strategy of distributing the product through several outlets. The objective is to maximise availability of the product.

(a)Own retail outlet: Under this strategy, the company starts its own retail outlets for promoting sales and to satisfy the needs of consumers.

Maturity Stage

Product Strategies: With regard to product, certain strategies are available. They are:

a)Market modification: In order to increase the consumption, the company looks for: (i) New users, (ii) New market segments and (iii) Increased usage among present customers.

a)Product modification

b)Innovation

c)Diversification

Pricing Strategies: The following strategies are available for price in the maturity stage:

(a) Keeping the price rigid: If oligopolistic conditions prevail, it is desirable to keep the price rigid (do not raise or cut the price).

(a) Cost based pricing strategy: If conditions of monopolistic competition exist, the marketer should set their prices on the basis of costs rather than on competitor's prices.

(a) Raising prices: Sometimes marketer raises pries through product improvement or product differentiation.

Promotion Strategies: During the maturity stage, companies shall resorts to some strategies with regard to promotion. Important strategies are as follows:

(a)Launching a better advertisement campaign: In order to stimulate sales, company may launched a better advertising campaign.

(a)Aggressive sales promotion: Company may use aggressive sales promotion such as trade deal, price off, premium, gifts, contests etc.

Distribution Strategies: For distribution, the following strategies are available during maturity stage:

(a)More intensive distribution: During maturity stage, this sales growth decline. Hence to promote sales, companies attempt to distribute its products through as many outlets as possible.

(a) New type of distribution channels: A company can try new type of distribution channel for expanding the market.

Decline Stage

Product Strategies: A company can adopt the following product strategies during decline stage:

(a) Maintain: Hoping that with passage of time, the competition will drop out; the company decides to continue with the product. For example, P & G stayed in the declining liquid soap business and improved its profits as the others withdrew.

(a) Harvest: This is the strategy of reducing the overall costs (production, maintenance, advertising, sales force etc.) and hoping that sales will be profitable for some item to come. For example, Hindustan Motors continue to produce Ambassador Cars.

Pricing Strategies: With regard to price, the company can follow the following strategies during decline stage:

(a) Break even pricing: In order to continue the production and marketing of the product, the firm can use break even pricing. Under this strategy the firm will set the price at the level of total cost. There is neither profit nor loss.

(a) Price discrimination: This is the strategy of fixing different price in different markets.

(a) Distribution Strategies: In the decline stage, the company may resort to the following strategies in connection with distribution.

(a) Reducing distributing outlets: Under this strategy, the unprofitable outlets are stopped

(a) Developing new distributors: Under this strategy, the firm can enter new markets and develop distributors.

Promotion Strategies: During decline stage, it is necessary to device appropriate promotion strategies to revive the product or market. The various promotion strategies that may be adopt by a firm in decline stage are as follows:

(a) Reduce promotion expenditure: Marketer may reduce expenditure on promotion (advertising, sales promotion, research and development) of weak products.

(a) No extra expenditure to revitalize the product: Under this strategy, no further expenditure is made for revitalising the product.

(a) Credit facility: In order to attract customers, credit facility and easy installment facility may be offered.

Warranties and Guarantees

Warranties and guarantees are supposed to give the customers assurance that the product they are purchasing will not only last, but will also perform optimally during the warranty period. Manufacturers generally use warranties and guarantees as marketing tools to give customs assurance that what they are purchasing are quality products and are free from defects. Once the right warranty

and/or guarantee has been created for products, the next step is integrating it into product packaging and testing the value proposition to customers.

Meaning and Definition of Warranty

Just as a package is designed to protect the product, a warranty protects the buyer and gives essential information about the product. A warranty confirms the quality or performance of good or service.

A warranty is a term of a contract, breach of which gives rise to a claim for damages, but not the repudiation of the whole contract. For example, if A sells an item to B and warrants that it can produce 20 widgets per day, but in fact it produces only 19, B can bring an action for damages against A.

Type of Warranty

Warranty may be express or implied

Express warranty: An express warranty is a written guarantee. It is a specific promise in writing made by the manufacturer or trader, relating to quality, performance, condition or other features. Express warranties range from simple statements such as ‘100% cotton’ (a guarantee of quality) and ‘complete satisfaction guaranteed’. Warranty is usually written.

Implied warranty: Implied warranty is an unwritten guarantee that the good or service is fit for the purpose for which it was sold. It is a promise (not written) of the maker that the product is of average saleable quality and will last a reasonable period of time.

Meaning and Definition of Guarantee

A guarantee is an assurance by the manufacturer that a certain product is of high quality. It is a commitment given by the seller concerning the product quality. The guarantee serves as a promise made by the manufacturer, to the buyer, that in case the product is below quality, it will be repaired, replaced or the money deposited will be refunded.

In short, guarantee is a promise made by the producer, to the purchaser, that the item is of low quality, it will be replaced, repaired or the cash kept will be refunded.

Review Questions

A.Objective Type Questions

Fill in the blanks

1. .... is the reason for marketing and the object of advertisement
2. .... product is the formal product plus the various services accompanying it
3. .... refers to the augmented product or the aggregate of satisfactions that a user obtains.
4. .... goods are those which the consumers normally purchase frequently or immediately and with little effort from convenient location

5. .... goods are those which have special features and buyers make special efforts to buy them

B. Short answer Type

1. What is customer value hierarchy?
2. What is potential product?
3. What is a core product?
4. What are consumer products?
5. What is specialty goods?
6. Define brand
7. What is brand equity?
8. Define product life cycle.
9. What do you mean by warranty?
10. What is express warranty?

11. Short Essay Type

1. What is customer value hierarchy? What the levels of customer value hierarchy?
2. Enumerate briefly the function (reasons or objectives) performed by branding.
3. Differentiate between branding and grading.
4. What are the advantages and disadvantages of labelling?
5. What marketing strategy do you suggest during the decline stage?
6. Explain the utility and limitations of PLC concept.
7. What is packaging? What are the advantages of packaging?

C.Long Essay Type

1.What are consumer goods? What are the characteristics of consumer goods?

2.What is product development? Describe briefly the steps involved in the process of new product development

3.Define product life cycle. Explain the various phases of product life cycle. Discuss the importance of the concept.

4.Discuss briefly the various marketing strategies indifferent stages of PLC.

PRICING TO CAPTURE VALUE

Once a company has developed a product, it has to decide how to price it. Unfortunately, there are no easy answers. The price must be fixed judiciously. If the company prices too much, customers may not purchase the product. If it charges too less, profit will be less.

Price is the only marketing mix element that produces revenue. The other three marketing mix elements create costs.

Meaning of Price

Price is the amount paid by the buyer to the seller for a product. It is the exchange value of a product or service in terms of money. Price is different from value. Warren Buffett has simply put the difference between value and price. According to him, "Price is what you pay. Value is what you get".

In the words of David J. Schwartz, "Price is the money you pay for any product or service. The name may be different like airfare, tuition fee, college fee, hotel tariff, insurance premium, interest charges, rent, lease rental, retainer fee, consultancy fee, salary, commission, wage, toll or honorarium; but it means the same".

Steps in Setting the Price (steps in pricing decisions)

The process of determining the price of a product is called pricing. Pricing decisions or price setting involves a number of steps. They are summarised as follows.

1. **Studying target market**: First, the marketing manager has to study the nature of the target market. Without the knowledge of target market, a marketing manager will not able to determine the price.
2. **Selecting the pricing objective**: First the firm should decide what it wants to accomplish with a given product.
3. **Determining demand**: Each price leads to different levels of demand.
4. **Estimating costs**: the firm wants to set a price that will helps recover all costs and yield a fair return on investment. Hence total cost has to be estimated.

5. Analyzing prices of competitors: The firm needs to know the competitors, prices and possible price reactions before deciding its own price.

6. Selecting the pricing method: Firm has to select an appropriate pricing method. It is selected after taking into consideration cost, customers perception regarding quality and value, competitors prices, governmental legislation etc. there are various method of pricing. Some of them are cost are cost plus pricing, perceived value pricing, going rate pricing etc.

7.Setting the final price: To decide on the final price, some additional factors must be taken into consideration. These factors include consumer's psychology, firms pricing policies, impact on other parties etc.

Objective of Pricing

Before determining the price, the management should decide the objectives. The important objectives of pricing are summarised as below:

1. To maximise profit
2. To maintain or improve the market share
3. To achieve a desired rate of return on investment
4. To meet or prevent competition
5. To stabilise the product prices

Factors Influencing Pricing Decisions or Pricing Policies

Pricing is probably the most difficult decision faced by the management. While fixing the price, a number of factors need to be considered. The following are the factors which influenced the product price:

Internal Factors

Internal factors are those factors which lie within the control of the organisation. These factors are controllable. The various internal factors are explained below:

1. Costs
2. Objectives
3. Organisational factors
4. Marketing mix:
5. Product differentiation
6. Product life cycle

External Factors

External factors are those factors which are beyond the control of an organisation. The following external factors would influence the pricing decisions:

1. Demand
2. Competition
3. Distribution channels
4. General economic conditions
5. Govt. policy

Pricing Policies

Setting prices is a complex problem. If the price set is too high, a seller may be thrown out of market. If it is too low, his income may not cover cost. The pricing decision is critical not only in the beginning but it must be reviewed and reformulated form time to time. Therefore, a sound pricing policy must be adopted to attain the objectives.

Pricing objectives lead to pricing policies and strategies. Objectives are broad and general, but policies are concrete. According to Cundiff and Still, “Price policies provide the guidelines within which pricing strategy is formulated and implemented”. The pricing objectives such as maximisation of profit, maximisation of sales, targeted rate of return, survival, stability in prices, meeting or preventing competition etc. are collectively known as pricing policies.

Method of Pricing

There are three basic pricing policies. They are:

1. Cost-based pricing policies
2. Demand-based pricing policies
3. Competition – based pricing policies

Cost- based Pricing Policy

1.Cost plus pricing: This is the most common method used for pricing. Under this method, the price is computed by adding a certain percentage of profit to the cost of the product per unit. Cost includes production cost (both variable and fixed). This method is also known as margin pricing or full cost pricing or markup pricing. This method is very popular in wholesale trade and retail trade.

2.Target pricing: This is a variant of full cost pricing. Under this method, the cost is added with a predetermined target rate of return on capital invested. In this case, the company estimates future cost and calculates a targeted rate of return on investment after tax. This method is also known as rate of return pricing.

3.Marginal cost pricing: Under both full cost-pricing an rate of return pricing, the prices are set on the basis of total cost (variable cost + fixed cost). Under the marginal cost pricing, the price is determined on the basis of marginal or variable cost. In this method, fixed costs are totally excluded. This method is also called variable cost pricing.

1.Break even pricing: This is a form of target return pricing. In fact, it is a refinement to cost-oriented pricing. Under break even pricing, break even analysis is used for pricing. Under this method the firm determines the price at which it will break even. The firm first determines the breakeven point. It is the point at which the total sales are equal to total cost, i.e., no profit no loss point. Thus, under break even pricing, price of a product is equal to the average total cost of product. This means both variable costs and fixed costs are covered but does not include any profit.

Demand-based Pricing Policy

Under this pricing policy, demand is the basic factor. Price is fixed simply by adjusting it to the market conditions. In short, the price is fixed according to the demand for a product. The following are the two method of pricing which fall under this policy.

1. Differential pricing: Under this method the same product is sold at different prices to different customers, in different places and at different periods. In short, the same product or service is sold at different prices. For instance, a cinema house charges different rates for different categories of seats. This method is also called discriminatory pricing or price discrimination.

1. Premium pricing: It is a phenomenon of the 1990s. It is based on the principle that the product or brand should be positioned at the top of the market and must offer greater value in qualitative terms than similar brands in other price segments. In short, it is called high pricing. The companies which follow premium pricing include Titan, Sony TV, Arial, Dove Conditioner etc.

Competition-based Pricing Policy:

This is the policy of fixing the prices mainly on the basis of prices fixed by competitors. The firm may keep its price higher or lower than that of competitors. Thus under this policy product prices are fixed not on cost or demand but on the basis of competitors prices. The following methods fall under this policy.

1. Going rate pricing: It is the method of charging prices according to what competitors are charging. This method is usually adopted by firms selling a homogeneous product in a highly competitive market. This method is also called acceptance pricing or market equated pricing or parity pricing. This method is particularly useful where cost ascertainment is difficult. This technique is adopted in the situation of price leadership.

2.Customary or Conventional pricing: In the case of some commodities the prices get fixed because they have prevailed over a long period of time. For example, the price of a cup of tea or coffee is customarily fixed. In short, these prices are fixed by custom or tradition.

Methods or Strategies of Pricing of New Products

In pricing a new product, generally two types of strategies are suggested-skimming price policy and penetration price policy.

1.Skimming price policy: This is done with the basic idea of gaining a premium from those buyers who are always ready to pay a much higher price than others. Accordingly, a product is priced at a very high level due to incurring large promotional expenses in the early stages. Thus skimming price refers to the high initial price charged when a new product is introduced in the market.

1.Penetration price Policy: This is the practice of charging a low price right from the beginning to stimulate the growth of the market and to capture a large share of it. Since the price is lower, the product quickly penetrates the market Consumers with low income are able to purchase it. Nestle first launched its wafer chocolate brand Much for Rs.2; once a market was established for the product, it launched a new pack for Rs. **Pricing Strategies**

The word ‘strategy’ was coined by the ancient Greek writer Xenophon. According to him, strategy means understanding or knowing the business one intends to do. Strategy entered in English language in 1810. Strategy is a set of predetermined objectives prepared in order to achieve the determined goals. In the words of Thompson (1997), “strategies are means to ends, and these ends concern the purpose and objectives of the organisation. They are the things that businesses do, the paths they follow, and the decisions they take, in order to reach certain points and levels of success”.

A Pricing strategy is special kind of plan formulated in order to meet the challenge of external factors particularly from the policies of competitors. Pricing strategies change with competitive situation. Suppose the management decides to make 20% cut in the price during of season, it is pricing strategy.

Difference between Pricing Policy and Pricing Strategy

According to Cundiff and Still, ‘Pricing policies provide the general set of rules for making pricing decisions. Pricing strategies are adaptations of pricing policies-individualised tailoring of pricing decisions to fit particular competitive situation encountered by specific products".

The important points of differences between pricing policy and pricing strategy area of follows:

1. Pricing ploy is general while pricing strategy is specific. Pricing strategy is applied to achieve a selected objective, while pricing policy is a guide to management.
2. Pricing policy is for the longer period while pricing strategy is a temporary measure.
3. Steps in Pricing Strategies
4. Mandell and Rosenberg (1981) have suggested the following steps in building pricing strategies:
5. Selecting target markets
6. Studying consumer behaviour
7. Identifying competition
8. Assigning price a role in the marketing mix
9. Relating costs and demand
10. Determining strategic prices.

Important Pricing Strategies

Market conditions change from day to day. Therefore, price has to be modified to suit the changing competitive situations for a temporary period. There are varied pricing strategies adopted by the marketers to manipulate market in their favor. Important pricing strategies are discussed below:

1.Psychological pricing: Some manufacturers fix the prices of their products in the manner that it may create an impression in the minds of consumers that the prices are low. For example, the prices of Bata's Shoe are fixed as 99.95, 199.95 etc. This odd pricing may bring more sales.

2.Geographical pricing: It is the practice of charging different prices for the same product to customers to cover a higher transportation cost. For example, petrol is priced in this way.

3.Base point pricing: It is another form of geographical pricing. Under this method, the seller designates a city as a base point (city) to the place of customer, regardless of the city form which the goods are actually shipped. Thus, the base point price is equal to factory price plus transportation charges calculated with reference to the base point.

4.Zone pricing: This is another strategy of geographic pricing. Under this method, the company sets up two or more zones. The company charges the same price for all customers within a zone. The price is higher in the more distant zones.

5.Dual pricing: When a manufacturer sells the same product at two different prices, it is dual pricing. Dual pricing should not be confused with geographical pricing. In the case of geographical pricing, the same product is sold at different prices at different polices. But in the case of dual pricing, the same product is sold at two different prices at the same place. For example, a producer sells a part of his product the government or its authority's agency at a lower price. He sells rest of the product in the open market at relatively higher prices.

6. **Administered pricing**: Here the pricing is done on the basis of managerial decisions and not on the basis of cost, demand, competition etc.
7. **Mark-up pricing**: This method of pricing is followed by wholesalers and retailers. When the goods are received, the retailer adds a certain percentage of the wholesaler's price. For example, an item that costs Rs. 25 is sold for Rs. 30; the mark-up is Rs. 5 or 20%.
8. **Product line pricing**: A product line refers to a group of products which have similar physical features and perform similar functions. Within particular product line there may exist a number of verities which differ in size, quality, colour etc. Product line pricing refers to the determination of prices of individual products and finding the proper relationship among the prices of members of a product group.
9. **Captive product pricing**: This is another product mix pricing strategy. This method is adopted by those companies which make products that must be used along with the main product, e.g., camera film, razor blades, computer floppy etc. These are ancillary or captive products.
10. **Price bundling**: Under this strategy, a group of products is sold as a bundle at a price lower than the total of the individual price.

Review Questions

Fill in the blanks

1. Generally.............. is an indicator of quality
2. .... is the most common method used for pricing
3. .... price refers to the high initial price charged when a new product is introduction in the market
4. .... is the practice of charging a low price right from the beginning to stimulate the growth of the market
5. Under................. Pricing, price is set on the basis of managerial decisions and not on the basis of cost, demand, competition etc.

B. Short Answer Type

1. What is price?
2. What is pricing policy?
3. What is cost plus pricing?
4. What is target pricing?
5. What is price skimming?
6. Define psychological pricing
7. Define geographical pricing
8. What is administered pricing?

C. Short Essay Type

1. Briefly explain the basic pricing policies

2. Define: (a) cost oriented pricing (b) demand oriented pricing and (c) competition oriented pricing
3. What are the objectives of pricing policy?
4. Explain the pricing strategy of new products.
5. What is the importance of breakeven pricing?

A. Long Essay Type

1. Define price policy. Discuss the objectives of pricing policy. What are the steps involved in formulating price policies?
2. What are the factors or principles which affect the pricing decisions?
3. Discuss the pricing strategies for determining the price of new products.

MODULE 03

DELIVERING VALUE (DISTRIBUTION)

Goods are produced for sale to the ultimate consumer. When a product has been developed and made ready and its price also determined the next task is its distribution. Distribution refers to bringing the product to the market and giving it to the final consumer.

Meaning and definition of Distribution

The term distribution includes all movements of the product. According to Mossman and Norton, “Distribution is the operation which creates time, place and form utility through the movement of goods and persons from one place to another”.

Distribution covers seven Rs- the Right product, in Right quantity, in Right condition, at the right time an Right place for the Right customer at the Right customer at the Right cost. Place (or distribution) is an important tool of the marketing face a different kind of ‘D’ – death.

Elements of Distribution Mix

Distribution involves all activities necessary in getting a product to customer distribution includes the following aspects or elements.

1. **Channels of distribution Mix**: Distribution channel includes agent, middlemen, wholesaler, retailers etc. They gather information, develop communication, place orders, provide storage, assume risks etc.
2. **Warehousing**: Every company has to store finished goods until they are sold. The storage function helps to provide the products to consumers timely. This function is performed by warehouses.
3. **Transportation**: Transportation is the physical means whereby goods are transferred from place of production to the place of consumption.
4. **Inventory**: Inventory decision-making involves knowing when to order and how much to order. These decisions affect costs. Hence a control is required over the inventory. Inventory control requires the maintenance of inventory at an optimum level.

Components of Distribution System

Distribution system has two components or sub divisions (a) Physical distribution, and (2) Channel of distribution.

Meaning of Physical Distribution

Physical distribution is a broad range of activities concerned with efficient movement of finished goods from the end of the production line to the consumer. In the words of AMA “Physical distribution includes the following activities (functions of physical distribution): (a) Transportation, (b) Storage and warehousing, (c) Loading and unloading of goods, (d) Inventory control, (e) Material handling, (f) Protective packaging, (g) Market forecasting, (h) Customer service

Meaning of Channel of distribution or Marketing Channels

The word ‘Channel’ is derived from the French word ‘Canal means an artificial path-way used for transport and irrigation. In the field of marketing. Channel of distribution means the path or network or the pipeline through which the products are made available to the consumers, thus providing time and place utility.

In the words of Kotler, “Channel is a set of independent organizations involved in the process of making a product or service available for use of consumption”.

Role and Importance of Marketing Channels (Functions of Channel of Distribution)

One of the chief roles of marketing channel is to convert a potential buyer into a profitable customer. They do not just serve markets but hey also make markets. The channel of distribution or marketing channel performs the following functions.

1. **Information gathering**: Channels gather information about potential and current customers, their behaviour, competitors and other forces which affect the business.
2. **Consumer motivation**: Channels develop and transmit communication motivate consumes in buying the product.
3. **Bargaining**: Middlemen reach agreement on price and other terms with the consumer on behalf of the producer. In this way transfer of ownership takes place.
4. **Financing**: It finances inventories at different levels of marketing.
5. **Risk-bearing**: Channel also shares risks connected with carrying out channel works. This reduces the burden on the producers.
6. **Services**: it offers specialized product services including repairing service to the customers on behalf of the producers. Their services include pre-sale and post-sale services.
7. **Marketing research**: It helps in marketing research
8. **Demand forecasting**: It also helps in demand forecasting

Length of Channel (Levels of Channel)

This indicates the number of intermediaries between the producer and consumers. The fewer the intermediaries, the shorter the channel. This is also known as channel level. There are four channel levels. They are as follows.

1. **Zero level Channel**: This is also called direct marketing channel. This channel consists of manufacturer and consumer. There are no intermediaries at all. The manufactures sell directly to consumer. There are no intermediaries at all. The manufactures sell directly to consumer. The major ways of direct marketing are door to door, home parties, mail order, telemarketing, company’s own showrooms etc.
2. **One level Channel**: This contains one selling intermediary such as retailer. This is used by manufactures for marketing fashion merchandise. It requires to know the latest trends and fashions of consumers. Hence, they employ retailers.

3. **Two level channel**: This contains three intermediaries. For example, in the meat packing industries, wholesalers sell to jobbers, who sell to small retailers.

Channels of Distribution for Industrial Goods

A manufacturer of industrial goods may use any one of the following channels of distribution of his product.

Factors Considered in Selecting Channels (Factors Influencing Choice of Distribution Channel)

All products whether consumer goods or industrial goods or services require a channel of distribution. The marketer has to decide the most suitable channel. The selected channel must be efficient and effective. While selecting the channel or outlet of distribution, marketer has to consider a number of factors.

Nature of product: The channel of distribution can be selected only after considering the features of product. If a commodity is perishable or fragile, the producer prefers direct marketing or employees few middlemen. For perishable goods it requires speed movement. This needs shorter channel. For durable and standardized goods, longer and diversified channel may be necessary.

Nature of market: The selection of channels depends on the requirements of market. For consumer market, retailer is essential. In industrial market, we can eliminate retailer. If the market size is large, it requires many channels. In a small market, direct selling is better.

Buying habit of consumers: The buying habit of consumers, their number, location, frequency of purchase, quantity bought etc. Influence the selection of channel.

Company: While selecting the channel, the company's financial strength, reputation etc. must be considered.

Middlemen: The middlemen who are to offer good facilities of storage must be considered. The channel which generates maximum sales must be selected.

Cost of channel: Cost is another factor which influences the channel selection. The cost of each channel maybe estimated on the basis of unit sale.

Competition: Competition also influences the decision on channel selection.

Marketing environment: When the economy is depressed, manufactures may go in for shorter channels in order to cut costs. Under inflationary conditions direct selling is better. It multipoint system of sales tax is in operation, direct selling is preferable.

Intensity of Distribution (Distribution Policies)

Once the company decides the general channel after considering the above mentioned factors, the firm has to decide on the number of middlemen in each channel, i.e., intensity of distribution. There are three different distribution policies. They are:

Intensive or mass distribution: This is the strategy of using as many outlets (service of middlemen) as possible. In intensive distribution, all available outlets are used for distributing product. This facilitates maximum sales for a product. This is generally used for convenience goods such as cigarettes, sweets, soap, bubble gum etc.

Selective distribution: Under this policy, a marketer selects a limited number of wholesalers or retail distributors. The manufacturer or marketer will select only the best distributors and concentrate efforts on them.

Exclusive distribution: This is the practice of selecting only one dealer in one area called territory and giving it the exclusive right to distribute the company's products.

Channel Co-operation

Channel co-operation is an essential part of the effective functioning of the channels. Channel co-operation mean compatibility of marketing objectives of manufacturers and other intermediaries. It is a situation in which the marketing objectives and strategies of the channel members and the manufacturer are congruent.

Meaning of Channel Conflict

Chanel conflict is a clash of goals and methods among the members of a distribution channel. It is a situation when two channel members relationship are not harmonious. Thus, channel conflict refers to a situation when channel members are opposed to each other because of disagreements about the common purpose or goals or ways of attaining them.

Type of Channel Conflict

There are three types of channel conflict. They are:

1. **Vertical channel conflict**: It is a conflict between channel members at different levels. For example, conflict between manufacturer and wholesaler. This is more common than horizontal conflict.
2. **Horizontal channel conflict**: it is a conflict between middlemen of different levels. For example, conflict between wholesalers and retailers.
3. **Cross Conflict**. This conflict arises between middleman of different levels.
4. **Channel Integration and System:** Companies all over the world produce millions of rupees worth of goods for consumers. These goods reach the end consumers through a variety of distribution system. Companies can develop their own distribution channels or delegate the function to different channel members through channel integration.

Meaning of channel integration

In a conventional marketing system the channel members have no affiliation with one another. All the members operate independently. The conventional channel system comprises an independent producer, wholesaler (s), and retailers (s). Each is a separate business seeking to maximise its own profits. No channel member has complete or substantial control over other members. To fulfill the potential of effective distribution, it becomes necessary to consolidate channels. This is done through channel integration involves streamlining the different channel activities and information flow in a manner that leads to mutual benefits to all the partners (members) concerned.

Channel Competition

In addition to the conflict between members at different levels in the channel, the channel members may also compete with each other.

Meaning of channel competition

As already stated, channel members may compete with each other with a view to achieve greater sales and profits. Channel competition refers to the efforts by the marketers within a channel of distribution or by channels a whole to establish dominance over the others. For example, restaurants ina city compete with each other for customers as well as for the best location and suppliers. The same restaurant also competes as a group against home/office meals delivery service

Value Network

Marketing channel is made up of a chain of people. This chain constitutes manufacturer distributor, dealer, retailer and the consumer. Today it has become an absolute necessity to add value to a channel. One of the many ways that we can add value to a channel is by building value networks of marketing channels.

In business and commerce, value networks are an example of an economic ecosystem. Each member relies on the others to foster growth and increase value.

Meaning of value Network

Value network is a system of partnerships and alliances that a firm creates to source augment and deliver the company's offerings. It is a set of connection between organization and/or individuals interacting with each other to benefit the entire group. A value network allows members to buy and sell products as well as share information. These networks can be shown in the form of a diagram showing nodes (members) and connectors (relationships).

Middlemen in Distribution (Types of Channels of Distribution)

In today's economy, most producers do not sell their products directly to the final consumers. In many cases they will leave the task of distribution in the hands of some specialized persons. These specialised persons working between the producers and consumers and help in the distribution of products are called middlemen. They act as intermediaries between the producer and consumer.

Types of Middlemen

All middlemen are classified into three (1) Merchant middlemen, (2) Agent middlemen, and (3) facilitators.

Agent Middlemen: Agent Middlemen are those channel members who never take title to goods. They usually do not take possession of goods. They merely assist manufacturers, merchant middleman, and consumers in carrying out transaction of sale and purchase. They only bring buyers and sellers together in order to facilitate exchange. Sole selling agents, selling agents, commission agent and brokers are important agent middlemen.

Merchant Middlemen: Merchant Middlemen are those who take title to goods with a view to selling them at profit. They help in the distribution of goods by acting as intermediaries between manufacturers and consumers. Wholesalers and retailers are the important merchant middlemen.

Facilitators: Facilitators are those who assist in the performance of distribution but neither take title to goods nor undertake purchases or sales, e.g., transportation companies, independent warehouse, banks, advertising agencies etc.

Functions of Middlemen

The important functions of middlemen are as follows:

1. They help in the efficient distribution of good.
2. They help in the creation of place, time and possession utilities.
3. They provide valuable market information
4. They undertake transport, warehousing and storing of goods

Managing Wholesaling

Wholesaler is the first intermediary in the channel of distribution. He is a trader who deals in large quantity. He purchases the goods from manufactures in bulk quantity and sells it to retailers in small quantity. Thus he stands in between the manufacturer and the retailer. He generally deals in one or a few classes of goods.

Functions of Wholesalers

1. Assembling of varieties of goods from different manufacturers.
2. Storing of goods in proper warehouses till they are sold to the retailers.
3. Distribution of goods to retailers
4. Transporting of goods first from the place of producers to his warehouse and from there to the retail stores.
5. Financing the retail trade by selling the goods to retailers on credit basis

Services Rendered by Wholesalers

Wholesaler renders valuable services to manufacturers, retailers and to society.

Service to manufacturers: The services rendered by wholesalers to manufacturers are as follows:

1. The wholesaler helps the manufacturer to get the benefit of economies of large scale production by purchasing goods in large quantities.
2. As the wholesalers collect small orders from a number of retailers, the manufacturer is relieved from the trouble and expense of collecting a large number of small orders.
3. He makes cash purchases from the manufacturers. This enables the manufacturers to carry on his business with less amount of capital.
4. The wholesaler buys in large quantities and keeps the goods in his warehouses. This relieves the manufacturer of the risks of storage, obsolescence and other losses.

Service to Retailers

The service rendered by wholesaler to retailers is as follows:

1. Wholesaler helps retailers obtain goods more quickly and more conveniently from the wholesalers than from manufacturers.

2. Whenever new goods are introduced in the market, the wholesaler will inform the matter to retailers.
3. He gives Valuable advices to the retailers on business matters.

Service to the Society: Wholesaler renders some services to the society also. They are as follows:

1. The wholesaler passes on to the retailers and consuming public the benefit of specialisation of marketing activities.
2. Wholesalers introduce fashion and new style in the market. He raises the standard of living of the people.
3. Wholesalers undertake market research also. This is also beneficial to the society.

Managing Retailing

The word 'Retail' is derived from the French word with the prefix re and the verb tailor meaning to cut again. Dictionaries define retailing as "the sale of goods in small quantities to ultimate consumers". A whole seller buys goods in large quantity and cuts the bulk into small lots and sells the lots to retailers. The retailer cuts them again into small quantities and sells them to ultimate consumers. Thus, the retailer works in between wholesaler and consumer. Mandell, etc. have observed that "If we think of production and consumption as the two poles of the distribution process, wholesaling would be nearer to the production pole and retiling would be nearer to the consumption pole".

According to Ostrow and Smith (1985) "Retail store is a business whim regularly offers goods for sale to ultimate customer. A retail store buys, stores, promotes and sells the merchandise".

Functions of Retailers

1. Collection and assembling of variety of goods from different wholesalers.
2. Undertaking transport for carrying the goods purchased
3. Selling of products in small quantities for the convenience of consumers
4. Sorting and grading of goods
5. Giving credit facilities to regular customers
6. Cultivating personal relationship with the customers

Types of Retailing

The retailers are of different types. The retail trading organisation can be broadly classified into two (1) Itinerant retailers and (2) Fixed shop retailers.

Itinerant Retailers

Itinerant retailers are those retailers who have no fixed place of business. They move from place to place and meet the customers at their doors and sell the goods. They mainly deal in fruits, vegetables, fish, clothing, glassware etc. They include hawkers, pedlars, market traders, cheap jacks, street vendors etc.

Fixed Shop Retailers

A majority of retail shops are fixed retail shops. As the name indicates, they have fixed business premises. Fixed shop may be divided into (1) small shops and (2) large shops.

Small shops: These shops are organised on small scale. The business is conducted from properly established shops. But the turnover and capital are limited. These include independent unit stores, street stall holders, second hand goods sellers, vending machines, discount houses, syndicate stores etc.

Large Scale Retailing

In these days goods are produced in large scale to meet the demands of growing population. Mass production of goods necessitated establishment of large scale retail trading houses. Some of the important types of large scale retail establishments are department stores, multiple shops, mail order business, and consumer co-operative stores. A description of these large scale retail shops is given here.

Super Bazars

These are large retail stores organized by co-operative societies which sell a variety of products under a single roof. The goods sold in super-bazars include consumer goods which are provided at wholesale rates from manufacturers or wholesalers.

Modern Types of Retail Stores

Today, we see a retail revolution. Now several types of retail stores are emerging. The change in retail industry is due to various factors such as liberalization, changes in regulation, globalization and consumer preferences. The modern types of retail stores developed to cater to different target markets are known as retail formats. The major types of retail stores may be briefly discussed as follows:

1. General Merchandise Retail Stores

They carry a wide variety of products. These stores include the following:

a) Super markets b) Hypermarket

c) Discount Stores

1.Specialty Stores

These carry a limited variety of products. In other words, these stores specialize in certain products. The following are the different types of specialty stores.

1. Specialty retail

stores

2. Off-price retailers

3. Category killers

1. Shopping Malls

A mall means a large building complex with a conglomeration of shops of various sizes and types with fun. Shopping malls deal with several bases and product categories. They provide large variety of goods and services. They inspire fashion based shopping centres.

Destination store

This is retail outlet with a trading area much larger than that of a competitor with a less unique appeal to customers. It offers a better merchandise assortment in its product categories promotes products more extensively and creates a stronger image.

1. **Retail chain**

   A retail chain operates multiple retail outlets under common ownership in different cities and towns.

2. **Mom and Pop Stores**

   These are owned and managed by individuals and their families. They typically carry fewer goods. They cater to the local community. Goods are priced higher.

3. **E-tailors**

   E-tailors (Electronic retailors) are those retailers who sell through internet.

Direct Selling

Direct selling refers to sale of products to ultimate consumers through face-to-face sales presentations at home or in the work place. It is traditionally called door-to-door selling. It is the oldest method of non-store retailing. The two most well-known users of this technique are Better ware and Avon Cosmetics.

Direct Marketing

McGraw Hill did a research amongst retailer's to find out "why people lose customer". The findings were: (i) 4% customers were lost because some customers died and others moved away to other places. (ii) 5% were lost because of other company friendships. (iii) 9% were lost to competition (iv) 15% were lost because of dissatisfaction with product and service (v) 67% were lost because of indifference, no contact, taking the customer for granted etc.

The foundation of direct marketing is based on understanding this insight into why people lose customers. Because direct marketing is a way of marketing. It is oriented towards finding, getting, keeping and developing customers one-to-one.

Meaning of Direct Marketing

In direct marketing, companies communicate directly with their target customers to generate response and/or a transaction. Direct marketing brings the market directly into the home or office of an individual buyer instead of the buyer having to go to the market. This is why it is sometimes called armchair shopping.

In the words of Dick Shaver, “Direct marketing is like opening a store in print and managing it”. In short, direct marketing is the use of direct channels to reach and deliver goods and services to customers without intermediaries.

Features of Direct Marketing

Following are the features of direct marketing:

1. It goes directly to an identified person or a household
2. It is interactive
3. It makes use of customer database
4. The response can be accurately measured
5. It creates direct relationship between marketers and customers

Difference between Direct Marketing and Advertising

Direct marketing	Advertising
1. It promotes selling to individuals	1. It promotes mass selling
2. It can build personal relation with each consumer	2. It cannot build personal relations
3. Marketer controls the product until delivery	3. Marketers may lose control over the product as it enters the distribution channel.
4. it is used to get immediate response	4. It is used to build image, awareness, recall, loyalty etc.

Forms of Direct Marketing

The major forms of direct marketing are catalogue marketing, direct response marketing, home shopping, kiosk marketing, telemarketing, and online marketing.

1. **Catalogue marketing**: In catalogue marketing an organisation provides a catalogue from which cus tomers marketing, home shopping, kiosk marketing, telemarketing and online marketing.
2. **Direct-response marketing**: This occurs when a retailer advertises a product and makes it available through mail or telephone orders. Generally a buyer uses a credit card, but other forms of payment are also acceptable. Examples of direct response marketing include a television commercial offering a recording artist’s musical collection available through a toll-free number, a newspaper or magazine advertisement for series of children’s book available by filling out the form in the advertisement or calling a toll-free number, etc.
3. **Kiosk Marketing**: Kiosk marketing simply refers to marketing through kiosks. Kiosks are

information and ordering machines placed in stores, airports and other locations. In short, these are customer-order-placing machines. These machines provide information about products and customers can order any product or item him or she likes through it. These machines provide customers with a quick way to determine the size, colour, style of products to fit their personal preferences.

4. Telemarketing: Telemarketing is a type of non-store retailing. Telemarketing uses telecommunications to reach prospective customers. Telemarketing is actually a form of personal selling.

Advantages (or Importance) of Direct Marketing

Direct marketing is considered to be the most useful weapon to retain customers and add new ones. Companies such as Citi bank, ITC's hotel and cigarette divisions found direct marketing concept in India.

Several companies cut their advertising budget and increase the direct marketing budget. This is so because it offers a number of advantages.

A. Advantages/Benefits to Customers

1. Convenience
2. Saving in time
3. Choice
4. Product information

B. Advantages/Benefits to Sellers

1. Reduction in operating costs
2. Consumer information
3. Customer relationship
4. Privacy
5. Evaluation of media and messages

Online Marketing

Internet is perhaps the greatest technological revolution of the last few decades. It has touched almost all walks of human life. Internet has become the information disseminator, problem over, a great entertainer, a tourist guide, a religious guru and a counselor. With the advent of internet, the life of people has changed. It is now more exciting and enterprising. It has brought revolutionary changes in the marketing field. A new form of marketing has emerged. This is online marketing.

Meaning of Online Marketing

Online marketing is the most important form of e-marketing, On-line marketing simply means marketing through Internet. It is the use of the Internet and related digital technologies to achieve marketing objectives and support the modern marketing concept. These technologies include the Internet media and other digital media such as wireless mobile media, cable and satellite. It is also known as internet marketing or web marketing.

Many companies such as IBM, Mitsubishi, AT & T, Dell computers etc. use the Internet to market their goods and services.

Advantages of Online Marketing

Online marketing combines communication function and distribution function. As compared to conventional marketing, online marketing has certain advantages. They are outlined as below:

1. More information is provided to customers. Therefore, they have more choices.
2. It has large customer base because marketing can be done on a global basis
3. Customer can compare prices
4. Distribution channels are shorter
5. There is a direct interaction between the market and the customers.
6. Costs of operation are lower

Logistics

Physical distribution an important component of distribution system. Physical distribution has been now expanded into logistics management. Logistics management is a branch of military science.

Meaning of Logistics

Logistics is the process of getting products and services where they are required and whenever they are desired. Council of Logistic Management (CLM) defines logistics "as process of planning, implementing and controlling the efficient, cost effective flow and storage of raw material, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of conforming customer requirements".

Elements of Functions of Logistics

The various elements or functions of logistics may be briefly discussed as below.

1. Order processing
2. Warehousing
3. Inventory control
4. Transportation
5. Distribution Channel

Logistics Activities

Activities included under logistics are as follows:

- Demand forecasting
- Procurement
- Plant and warehouse selection
- Customer service
- Order processing
- Traffic and transportation
- inventory control
- Warehousing and storage
- Packaging
- Material handling

REVIEW QUESTIONS

A. Objective Type Questions

Fill in the blanks

1. .... is a broad range of activities concerned with efficient movement of finished goods from the end of the production line to the consumer
2. The strategy of using as many outlets as possible is called................
3. Super market is also known as................
4. A............. operates multiple retail outlets under common ownership in different cities and towns
5. Direct marketing is sometimes called................

B. Short Answer Type

1. What is channel of distribution?
2. Differentiate between physical distribution and channel of distribution
3. What is value network?
4. What is value network?
5. What is meant by vertical channel conflict?
6. What vertical marketing system?
7. What is horizontal channel integration?
8. Who is a wholesaler?
9. Who is a retailer?
10. What are retail chains?
11. What are shopping malls?
12. Give the different types of telemarketing?
13. What is online marketing?

C. Short Essay Type

1. How channel decisions are taken?
2. What are the steps involved in channel designed decision?
3. What are the benefits of channel co-operation?
4. What are the methods of improving channel co-operation?
5. Define a retailer. Explain their function and types.
6. Briefly explain the various elements of distribution mix.

D. Long Essay Type

1.How are channel management decision taken?

2.What do you understand by channel of distribution? What are the different type of distribution channel?

Discuss their functions.

3.What are the factors to be considered while selecting a suitable channel of distribution?

4.What do you mean by channel of distribution? What channel of distribution would you institute for marketing the following: (a) soft drink, (b) an industrial chemical, (c) computer software. State reasons in support of your answer.

5. Define direct marketing. What are its advantages and disadvantages?

6.Define online marketing. What are its advantages and disadvantages?

MODULE-04

a. COMMUNICATING VALUE

(Marketing Communications)

A company's product may be superb. It may be attractively packaged. It may have reasonable price. It may be built according to customer needs and desire. But people will not buy the product if they have never heard of it. People must know the availability of product and its features, price etc. Marketers must communicate about product, its features etc. to the right target customers by formulating right message in the language that is understood by them. There must be proper flow of information from the producer to the consumer either along with the product or well in advance of the introduction of the product into the market. This role is played by promotion. This is the fourth P of marketing (as termed by McCarthy). Robert Lauterborn calls promotion as communication, from the perspective of the consumer. Now it is widely known as integrated marketing communications.

Meaning and Definition of Integrated marketing Communication (IMC)

Integrated marketing communication involves planning and delivering consistent message to the identified target audience. Under IMC, a company develops a total marketing communication strategy that recognizes how all of a firm's marketing activities, not just promotion, communicate with customers. IMC is the system by which marketers co-ordinate their marketing communications tools to deliver a clear, consistent, credible and competitive message about the organisations and its products.

Raman and Naik defined IMC in 2005 as "IMC is a strategy in which different communication tools like advertising, public relations, sales promotion, direct marketing and personal selling work together to maximise the communication impact on target consumers"

Thus, IMC is the method of carefully coordinating all promotional activities advertising, sales promotion, personal selling, public relations as well as direct marketing, packaging and other forms of communication) to produce a consistent, unified message to the target customers. It ensures that ll forms of communication and messages are carefully linked together. In short, IMC means integrating all the promotion tools, so that they work together in harmony.

Benefits of Integrated marketing communications

Integrated marketing communications deliver many benefits. It can create competitive advantage, boost sales and profits, while saving money, time and stress. The biggest advantage is that it creates synergy among the various promotion tools. The other advantages are as follows.

1. **Increased profit**: IMC increases profits through increase effectiveness. In a busty word, a consistent, consolidated and crystal clear message has a better chance of reaching the customers.
2. **Increased sales**: IMC can boost sales by stretching message across several communication tools to create more avenues for customers to become aware and ultimately, to make purchase.

3. **Consistent and credible message**: IMC also makes messages more consistent and therefore more credible. This reduces risk in the mind of the buyer. This, in turn, shortens the search process and helps to compare different brands.
4. **Long term relationship with customers**: Consistent images and relevant, useful, messages help nurture long term relationships with customers. Here, customer databases can identify precisely which customers need what information when... and throughout their whole buying life.
5. **Eliminates duplication**: IMC eliminates duplication in area such as graphics and photography because they can be shared and used in advertising, exhibitions and sales literature. Agency fees are reduced y using a single agency for all communications, Thus, IMC saves money.
6. **Interactivity:** IMC tries to create interactivity in the sales and promotional messages through the use of technology.

Barriers to Integrated Marketing Communication

Despite its many benefits, IMC has many barriers. They are as follows.

1. No support from senior management.
2. Conflict within organisation.
3. No co-ordination between departments.
4. Time horizon.
5. Failure to develop a good marketing information system.

Role of Marketing Communications

Marketing communication plays a crucial role in modern society. Marketing communication is an absolute necessity for marketing products and services. Marketing communication involves the creation and delivery of messages through selected media to communicate with one or more markets. The role of marketing communication may be studied under the following heads.

1. **Role in Business**: Marketing communication has become increasingly important to both large and small business enterprises. Marketers must communicate with present customers and prospective customers. Marketing communication gives information regarding quality, price, features, uses etc. of the product.
2. **Role in Economy:** Marketing communication provides employment to thousands of people. It creates beneficial effects on other various categories of expenditure. It brings economies in the production process.
3. **Role in Society:** People live in a varied economy characterised by consumer segments with differing needs, wants and aspirations. Marketing communication provides freedom of choice for the consumers.
4. **Role in Non-business Organisations:** Non-business organisations also recognise the importance of marketing communication. The government and their agencies spend a lot of money on advertisement for promoting desired behaviour, and their programmes, Religious organisations have realised the importance of marketing communication in promoting their ideas and programmes.

Developing Effective Communication (Developing a Marketing Communication

Programme/Process of Integrated Marketing Communications)

The process of developing effective communication involves the following steps:

1. Identifying the target audience: The nature and type of communication (promotion) programme will depend on the nature and the type of the audience for which the programme is to be designed. Therefore, the first take is to identify the target audience and its characteristics. Identification of the target audience involves seeking and analysing responses from its members to know their perceptions about the company and its products.

2. Determining the communication objectives: After identifying the target audience, the next step in planning a communication programme is to determine the objectives of the programme. This involves studying the members of the target audience and their behaviour. The study and analysis of buying behaviour of the target audience would give the objectives of the communication. The main objectives of an effective communication are: (a) to transmit the right information at the right time to the person identified, and (b) to get the managers understood, accepted and acted upon. The ultimate objective of communication is to influence the buyers purchase decisions and help them in making their purchase decisions.

1. Designing the message: After identifying the target audience and determining the communication objectives, the next step is to design a message that may appeal the most of the identified audience. It involves determining what to say to the target audience (i.e., message contents), how to say it effectively (i.e., message format or layout) and who is to say it (i.e., source of the message).

2. Selecting Communication Channels (Communication media): Communication media refer to various vehicles or channels for carrying the communication massages to the target audiences. There are variety of media such as newspapers, magazines, booklets, booklets, displays, direct mail etc. No single media can reach the entire target audience.

3. Affordable method: Under this method, the company will spend on communication what it can afford.

4. Percentage of sales method: According to this method, the company may allocate funds at a fixed percentage of current or estimated sales, say, 10% or 15%.

5. Competitive parity method: This approach advocates that the company should spend what its competitors are spending on communication activities.

6. Determining the communication mix: The important tools or elements of communication mix are advertising, sales promotion, public relation, personal selling etc. In modern business, a company cannot depend solely on only one tool of communication. Each tool has its own unique characteristics, qualities, strengths and weaknesses. A company wants a combination of different tools that give the best results and achieve the identified objectives with the given total budget. Therefore, the next important task is to distribute the total budget over different tools of communication or promotion. The structure of the communication mix is decided on the basis of certain criteria. Generally five criteria are used to determine the role of each promotion tool. They are: (a) cost of reaching target audience, (b) ability to reach target audience without leakage, (c) ability to deliver message effectively, (d) ability to interact with audience, and (e) credibility.

7. Evaluating the performance: After the marketing communication programmes are implanted, the next step is to evaluate its performance. This involves measuring the effectiveness of the marketing communication programme.

8. Marketing Communication Mix (Elements of Promotion Mix)

9. Promotion mix includes all those activities undertaken to promote sales. In short, promotion mix is the combination of components or elements of promotion. These elements are sometimes referred to as promotional blend. There are two types of promotion blend – push blend and pull blend. A push blend emphasizes on personal selling. The producer pushes the product through the channel of distribution. This means that the middlemen promotes the product to buyers. On the other hand, pull blend emphasizes on impersonal selling. It is a strategy of using heavy advertisement and sales promotion methods. Most sellers employ a combination of both strategies.

1. Following are key elements of marketing communication mix:

1.Advertising: Advertising is concerned with the dissemination of information concerning an idea, service or product to complete action in accordance with the intent of the advertiser. It is described as impersonal salesmanship or printed salesmanship.

2.Public relations: This is the extended form of the older tool publicity

3.Sales promotion: Sales promotion includes those activities other than advertising and personal selling that stimulate market demand for products. These activities are designed to stimulate interest in the product.

4.Direct marketing: In direct marketing, companies communicate directly with target customers to generate a response and/or a transaction.

5.Internet and Interactive Marketing: Electronic media are used today to promote products or ideas. For example, e-mail marketing or advertisement on the internet.

6.Personal selling: It refers to oral and face to face communication and presentation with the customer for the purpose of making sales. There may be one customer or a group of customers in the personal conversation.

The first five elements of the promotional mix are non-personal and the last is personal.

Factors Affecting Marketing Communication Mix Decision

There are many factors which influence marketing communication mix. These factors are briefly explained as follows:

1.Nature of the product: Marketing communication mix will vary according to the nature of the product. Consumer goods like grocery items, drugs etc. require mass advertisement. Industrial goods like machine tools require personal selling, advertisement, publicity, display at industrial fairs, etc. Convenience goods require salesmen. Specialty goods like refrigerator require goods amount of personal selling to dealers and retailers.

2.Nature of the market: Marketing communication mix depends upon the nature of market. For industrial markets, advertising plays an informative role, while for consumer markets, advertising plays in informative as well as a persuasive role.

1. **Stages in the product life cycle**: The marketing objectives and strategies are different tin each stage of life cycle. During the introduction stage, the objective is to create product awareness and therefore intensive advertising and personal selling are required. During the growth stage, the firm aims at maximising the market share and therefore advertising must be increased. During the maturity stage, the marketing objective is to maxismise efforts also are to be increased During the decline stage the marketing objective is to reduce expenditure because sales and profit decline. Hence advertisement and sales promotion are reduced to the minimum.
2. **Market Penetration**: A product having a good market penetration is well known to buyers. In that situation a sustaining promotional strategy is required.
3. **Market size**: In narrow market where the number of potential buyers is small, direct mail is used. For a market having a large number of buyers the promotion tools is mainly advertising.
4. **Characteristics of buyers**: Experienced buyers of industrial products needs personal selling. Inexperienced buyers need advertising.
5. **Distribution strategy**: Companies having market penetration depend heavily on both personal selling and advertising. Companies having market penetration but selling directly depend heavily on personal selling and advertising plays only a supporting role.
6. **Price strategy**: Pricing strategy influences the promotion mix in two ways.
7. **Cost of promotion elements**: Another factor influencing the promotion mix is cost of promotion tools. The cost per message delivered to the real customers is more important.
8. **Availability of funds**: Where funds adequate, a firm can undertake advertising and other expensive methods in bigger way. But a small firm with limited resources can depend only on personal selling.

MANAGING ADVERTISING

Almost everyday we come across many advertisements several times. Whether we read a newspaper or magazine or listen to the radio or watch television or move on the roads or if we travel in trains and buses or we view a film or go anywhere else, we shall come across some sort of advertisement. Marshall McLuhan (1911 – 1980) said, “Advertising is the greatest art form of the 20th century. William Dean Howells says, “There will presently be no room in the world for things; it will be filled up with the advertisements of things”.

Meaning and Definition of Advertisement

Advertisement is the most glamorous element of the marketing communication mix. It is the poetry of marketing. It covers all activities connected with the giving of publicity regarding goods and services offered for sale. The dictionary meaning of the term ‘advertisement’ is to give public notice or to announce publicly. Advertising is a paid form of non-personal communication that is transmitted through mass media such as television, radio, newspapers, magazines, direct mail, vehicles and outdoor displays.

According to Hall, "Advertising is salesmanship in writing, print or pictures or spreading information by means of the written or printed words and the pictures".

American Marketing Association defines advertisement as "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.

Characteristics of Advertising

Advertising has the following characteristics

1. It is a non-personal communication to target audience
2. It is a paid form of communication by an identified sponsor (advertiser)
3. It provides information about products or services in a persuasive manner
4. It may be visual spoken or written
5. It is a salesmanship in print
6. It is a mass communication medium
7. It stimulates sales

Objectives of Advertising

The main objectives of advertising are summarised as follows:

1. To prepare a ground for new product
2. To create, maintain and increase demand of products
3. To face competition successfully
4. To create or enhance goodwill
5. To create brand preference
6. To educate consumers
7. To capture a place in market and become a market leader

Role of Advertising (Advantages/Importance)

Advertising is as important as bricks in the building and cash in the bank account. Advertising offers a number of benefits to manufacturers, middlemen, salesmen, consumes and the society.

A. Advantages to manufacturers

1. Advertisement increases the demand for the product. Hence large scale production is facilitated. This reduces the cost per unit and therefore profit increases
2. It helps to maintain the existing demand and to create new demand for the products.
3. It maintains the existing market. It also explores new markets. It helps to maintain a ready demand for the products in all seasons.
4. It helps to build up or increase the goodwill of the company. It enhances the image of the manufacturer in the public.
5. It helps easy introduction of products into the market
6. It protects the manufacturers from undue dependence on middlemen

B. Advantages to Wholesalers and Retailers

1. Advertising helps the dealers to have more sales
2. It increases the prestige of the dealers
3. It enables the dealers to have product information

4. Well-advertised product can be sold without much salesmanship. Thus selling becomes more economical.

C. Advantages to Salesman

1. Advertising informs the consumers about qualities and prices of products and this makes purchasing easy for them.
2. Advertising establishes a direct contact with the consumer. Therefore a large number of middlemen can be avoided. This enables the consumers to buy goods at lower prices.
3. It helps them known when and where the products are available. This helps the consumers to save time.

A. Advantages to Society

1. Advertising leads to large scale production. It creates employment opportunities for the professional artists.
2. It increases the standard of living of the society by facilitating to make use of a variety of products.

Objections of Criticisms against Advertising

Advertising has number of advantages. It has certain drawbacks too. Benjamin Franklin once said, “Advertising is a lawful lie”. Further, “Advertising is a poison gas. It brings tear to your eyes. It unhinges your nervous system. It knocks you out”.

Economic Objections

1. Advertisement is unnecessary and wasteful. It is said that 50 percent of all advertising is wasted.
2. It increases cost and prices of product will Rogers said, “If advertisers spent the same amount of money improving their products as they do on advertising, then they would not have to advertise them”.
3. It creates monopolies
4. Advertisements are rigid
5. It creates unhealthy competition in the market. This causes many malpractices among businessmen.

Social and Cultural Objections

1. Advertisement destroys the utility of goods before it becomes useless due to change in fashion, improved technology etc. it results in wastage of national wealth.
2. It is pointed out that the ruling party makes the maximum use of press an audio-visual media at the time of election to artificially create image at the cost of the people (i.e. tax payers). For instance, in the Loksabha election, 2004, one political party has expended around Rs. 450 cores for its advertisement campaign.
3.Advertisement encourages materialism in the society. Materialism is the tendency to give undue importance to material interest. This tendency perhaps lessens the importance of freedom, love etc. In Indonesia TV commercials were banned because they were thought to increase the expectations of poorer people.
4.Advertisements manipulate consumers to buy things which are not really needed. Further, it stimulates need for more and more money.

5.Another charge against advertisement is that it insults the intelligence of consumers. Many ad messages have low intellectual level because it aims to reach mass audience.

6.Advertisements create clashes in the family. There may be quarrel between husband and wife when wife's desire to purchase an item is not fulfilled.

Ethical Objections

1.Advertising misleads the public giving false statement about the product. Advertisements are unbelievable.

Some advertising contains vulgarity, nude poses, exciting emotions and indecent statements. This will corrupt the young minds. They are tempted to use unhealthy products like cigarettes, liquor, pan masala etc.

2.Some advertisements may led the youth to commit crimes. Students are falling within the trap of television commercials in the sense that they avoid their studies.

3.Advertisement is misusing the media. For example Shalimar Coconut Oil has put some stories in the newspaper to accept such advertisements to survive. There are newspapers in India which carry two-thirds of its space devoted to stories and one-third for news item.

Advertising Media

Having prepared an advertisement copy the next step is to select an appropriate medium of advertising. In simple words, an advertisement medium is the carrier or vehicle of advertising message. It is the means or ways or channels to convey the advertisement message to the public. Advertisement media may broadly be classified into two-indoor media and outdoor media. In the case of indoor media many broadly be calcified into to-indoor media and outdoor media. In the case of indoor media, the sales message is conveyed right into the home of consumer. Newspapers and magazines, radio and television come under this category. In the case of outdoor media the message is seen by the consumer outside his category. In the case of outdoor media the message is seen by the consumer outside his home, e.g., posters, electric signs etc.

Factors Governing the Selection of advertising Media

Manufacturer is required to select the best or most appropriate medium/media. If media selected is unsuitable the money spent would be a waste. Hence it must be selected very carefully. While selecting the media, the advertiser has to consider the following factors:

1.The nature of product: Mass media like press, broadcast, telecast, outdoor etc; are suitable for products which are needed by all. Cosmetics can be effectively advertised in ladies magazines. Televisions and screen advertisement are better for a product needing demonstration. Industrial products find favour of print media than broadcast media. Product like cigarettes, wines, and alcohols are never advertised on radio, television and screen

2.Advertising objectives: If the advertiser wants immediate action, direct or specialty advertisement will be better. If national coverage is needed, he may use television and national newspaper.

3.Potential Market: The advertiser has to consider certain factors like number of customers, income pattern, age group, tastes, likes and dislikes etc. If the massage is to reach the people with high income group, magazine is the best. If local area is to be covered, newspaper and outdoor advertising are of much help. If the message is to reach the illiterate people radio, cinema and television also are preferred.

4.Business unit: Selection of media depends on the size and nature of business unit. It may be a department store, manufacturing nit etc. Larger firms make use of radio, TV or newspapers, but small firms make use of cinema, posters etc.

5.Message to be sent: The advertiser may be interested in appealing the customers by colour advertisement. In that case magazine, film, television, etc., serve the purpose. If timelines is the important aspect newspapers, radio, posters etc. are of much help. If demonstration is needed, television and screen media are best suited. If new product is to be introduced, promotional advertisement is most welcome.

6.The extent of competition: The selection of advertisement depends upon the media/medium selected by competitors.

7.Availability of media: The required media may not be available at the required time. This is particularly true in the case of radio and television.

8.Cost of advertisement: The media should be selected with reference to the cost of the advertisement medium and the funds available. The benefit should be weighted in relation to costs.

Evaluation of Advertising Effectiveness

By the execution of the advertisement programme, the responsibility of the management does not come to an end. It becomes necessary to test the efficiency or effectiveness of advertisement.

All the methods of evaluating the advertising effectiveness may be classified into two – Pre-test and Post-test.

B.Pre- test: These are tests made before the ad copy is published or released. It is also called copy testing. Pre-testing evaluates consumer's response to the ad copy, and the way massage is understood by the customers. The methods used for pre-testing are as follows:

1.Consumer-Jury method: In this method, the given advertisement is rated by a group of consumers, who represent the potential buyers. They rank the advertisement in the order or preference based on individual interests. A small questionnaire may be used in this method. The copy scoring high points will be selected.

2.Portfolio test: In this method, a selected group of consumers are given several ad copies (package or portfolio) simultaneously. Afterwards, they are asked to remember the ads. This would show the effectiveness of an ad message.

3.Qualitative research: Under this method, focus group and depth interviews retrieve information from the consumers. This group will discuss the positive and negative aspects of ad copy. The group considers the advantage of alternatives and suggests improvement.

B. Post-test: These tests are conducted after the ad is published (i.e., after the money is being spent). These tests are meant to measure advertising effectiveness. Here the following methods are used.

1. Recognition test: The target consumers are asked to recognise the ads in a magazine as having seen earlier. This helps to compare the effectiveness of company's ad as against those of competitors.

2.Real test: This is also called recall test. It is based on memory. Under this method, the communication effectiveness is measured through a survey. The survey is made on those who have seen the advertisement. Copies of advertisement may be circulated among them. Opinions of both survey and copy are collected. The medium accepted by the larger group is adopted.

3.Opinion research: Under this method, some consumers are selected and are asked to express their opinion about the ad programme of the product. If the consumers say that this programme is quite effective and attractive it is assumed to be effective.

Strategies for Rural Marketing Communication

In planning the rural marketing communication strategy, greater care should be taken. A company should plan a judicious mix of both conventional and nonconventional media. A good media mix is very important to create an impact on rural minds. The following marketing communication strategy may be adopted for the rural market.

(i)The communication should being the regional language (rural specific message should be designed).

Only the functional benefits should be advertised

(ii)Instead of advertising dreams, the product should be demonstrated. This will raise the awareness of rural customers.

(iii Both traditional media (folk theatre, demonstration, hats and melas, wall paintings, video net, booklets/calendars etc.) and conventional media (TV, radio, word of mouth, cinema, print, cable television etc.) may be used. In short, it is better to use mass media.

*(*iv)Meals and festivals can be used for giving publicity to the products.

SALES PROMOTION

Sales promotion is one of the components of promotion mix. It is generally a short term tool used to stimulate immediate increase in demand. It supplements advertising and facilitates personal selling process.

Meaning of Sales Promotion

Sales promotion simply means the tools and techniques to promote sales. RogerAStrang gives a simple definition of a sales promotion. According to him, “sales promotion is short-term incentive to encourage purchase or sale of a product or service”. According to American Marketing Association, “Sales promotion is those marketing activities other than personal selling, advertisement and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows, exhibitions, demonstrations and various non-recurrent selling effort in the ordinary routine”. Thus, sales promotion offers an extra value or inducement to customers, dealers and sales force with the objective of creating an immediate sale. In short sales promotion includes all those activities which are directed towards promoting sales.

Advantages of Sales Promotion

Sales promotion makes an immediate effect on sales. it is not an expenditure; but it is an investment. It is an investment in the sense that it yields returns continuously. Today, it is not a luxury; but a necessity. It benefits the manufacturers, middlemen and the consumers. The advantages are summarised as follows:

A. Advantages to Manufactures

1. It promotes sales
2. It helps in creating the demand for new products
3. It helps in getting new customers
4. It helps in retaining existing customers

B. Advantages to Middlemen

1. It helps in selling the product
2. It helps in increasing the sales of middlemen
3. It enhances the good will of middlemen

C. Advantages to Consumers

1. It gives the knowledge of new products available in the market.
2. It gives information relating to the new uses of existing product.
3. It improves the standard of living of consumers.

Limitation of Sales Promotion

The disadvantages of sales promotion may be summarised as follows:

1. Sales promotion is only a short term activity. It has only short term effects. Like a flash light, it flashes and disappears.
2. Sales promotion alone cannot produce desire results. It needs the support of advertising and personal selling.
3. The discounts are not real, because price of the product has already been raised.
4. Sales promotion techniques are on recurring in their use.
5. Customer expected sales promotions all the time.
6. Wholesalers and retailers do not always deliver their promises when given incentives.

Difference between advertisement and Sales Promotion

The important points of differences between advertisement and sales promotion are as follows:

Physical Distribution	**Logistics**
1. Management of movement, inventory control, protection, storage of raw materials and of processed or finished goods to and from the production line	1. Process of planning, implementing and controlling the efficient, cost effective flow and storage of raw material, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of conforming customer requirements.
2. Narrow scope	2. Larger scope
3. Concerned with creation of time and place utilities	3. Creates time, place, form and possession utilities
4. Deals with outbound activities only.	4. Deals with both inbound and outbound activities

Kinds of Sales promotion (Sales promotion schemes)

Sales promotion can be aimed at consumers, dealers and company's sales employees. Thus there are three kinds of sale promotion. They are:

A. Consumer Promotion
B. Dealer Promotion (Trade promotion)
C.Sales Force Promotion)

A. Consumer Promotion

These include the activities to induce the consumers to buy more. These activities are aimed to educate or inform the consumers and also to stimulate them. The following are the various sales promotion schemes used at the consumer's level:

1.Sample: Samples are offers of a free amount of a product of service.

2.Coupons: Coupon is certificates offering a stated amount of reduction on the purchase of a specific product. In most of the cases, these coupons are put inside the package.

3.Rebates: Rebate provides a price reduction after the purchase and not at the retail shop.

4.Money refund offers: If the buyer is not satisfied with the product, a part or whole of the buyer's money will be refunded within stated period. This offer is usually stated on the package.

5.Price packs: This is also called cents-off deals or price off offer. In this method the customer is offered a reduction from the printed price of product (i.e. Discount).

6.Premium offer: Premium or gifts are goods offered at a lower price or free as an incentive to purchase a particular product. It is offered for consumer goods like soap, paste, brush, washing powder etc. For instance, when a customer buys two soaps, a soap box is given free along with the soap. The soap box is premium. Thus, premium is an extra inventive for the buyers. McDonald's gives away 1.5 billion toys throughout the world each year.

7.Buy-back allowances: This is an allowance following a previous trade deal. The allowance is in the form of a certain amount of money for new purchases based on the quantity or previous purchase.

8.Free trials: This consist of inviting buyers to try the product without cost hoping that the buyer will buy the product.

9.Prizes: Prizes are the offers of the chance to win cash, trips or goods as a result of purchasing something. This may take the form of contest, sweepstakes and games.

10.Buy one, get one free: This is one of the popular sales promotion activities. An alternative to this approach is the buy two, get the third item free.

B.Trade Promotion

Success in sales depends on the whole-hearted co-operation of middlemen. For securing the co-operation of wholesalers, retailers and distributors, manufacturers use a number of activities. These activities which increase the interest and enthusiasm of dealers are called dealer sales promotion. These include the following schemes.

1.Price deals: Under this, special discounts are offered over and above the regular discounts.

2.Free goods: manufacturers give away attractive and useful articles as presents to the dealers when they buy a certain quantity. These gifts can be transistor, radio sets, clocks, chairs, tables, cash boxes, dress materials etc.

3.Advertising materials: The manufacturers distribute some advertising materials such as store signs, shell signs, boards etc. for display purpose.

(a)Buying allowance: A buying allowance is a deal or discount offered to resellers (wholesalers and retailers) in the form of a price reduction on goods ordered during a fixed period.

(a)Promotional allowance: Manufacturers often give retailers allowances or discounts for displaying the products of manufacturers.

1.Dealer Contests: This is a sales incentive competition organised among dealers or salesmen.

2.Trade shows: Another dealer promotion technique is the trade show. This is a forum where manufacturers can display their products to current as well as prospective buyers.

3.Co-operative advertising: This is another trade-oriented promotion technique.

B.Sales Force Promotion

This includes the activities which induce and motivate the sales persons. The aim of sales force promotion is to make the salesmen's efforts more effective. The various schemes of sales force promotion are discussed as follows.

1.Bonus to sales force: Those salesmen who achieve targeted sales or more will be paid an extra incentive in the form of bonus.

2.Sales force contests: Sales contests are announced to encourage the salesmen to double or multiply their selling efforts and interest over a specified time. Prizes are given to the sales man who achieves the maximum sales in the contest. This encourages the salesmen to sell more.

3.Sales meetings, conventions and conferences: Sales meetings, connections and conferences are conducted with a view to educate, train, inspire and reward the salesmen. New selling techniques are descried to the salesmen and discussed in the conference.

PERSONAL SELLING

Personal selling is another important element of the promotion mix. The process of selling is ensured by personal selling supported by advertisement and sales promotion. Of these three elements, personal selling occupies the predominant role mainly because of the personal element involved.

Meaning and Definition of Personal Selling

Personal selling is direct communication between a sales representative and or more prospective buyers in an attempt to influence each other in a purchase situation. It is the process of contacting the prospective buyers personally and persuading them to buy the products. It is the art and science of convincing the customers to buy the given product or service. It is the ability to convert human desires and needs into wants. In short, personal selling involves selling through a person to person communication process.

In the words of American Marketing Association, "Personal selling is the oral presentation in a conversation with one or more prospective purchase for the purpose of making sales".

Features of Personal Selling (or Salesmanship)

Features of personal selling area as follows:

1.It is a process of direct communication between the sales person and a prospect (means probable buyer).

2.It involves the sale of goods and service personally

3.it is a most effective tool of increasing the sale

4.The objective of personal selling is to protect and promote interest of both the seller and the buyer. Difference between Advertisement and Personal Selling :

Advertising	Sales Promotion
1. Aims at attracting the ultimate consumers	1. Aims at attracting not only consumers but also middlemen and sales
2. Attempts to create brand image. trial	2. Attempts to get quick sale or induce
3. Appeals are emotional	3. Appeals are rational
4. Effective in the long run	4. Effective in the short run
5. Indirect approach	5. Direct approach
6. Part of sales promotion	6. Includes advertising
7. It uses pull strategy	7. It uses push strategy

Salesmanship

Salesmanship is the art of helping to buy intelligent. According to Garfield Blake, "Salesmanship consists of winning the buyer's confidence for the seller's house and goods thereby winning the regular and permanent customer". According to national Association of marketing Teacher of America, "Salesmanship is the ability to persuade people to buy goods or services at a profit to the seller and with benefit to the buyer". In the words of Robert Stephenson, "Anyone who sells a product, service or an idea is a sales person".

Thus, salesmanship is concerned with persuasion. It is directed at prospective consumers.

Difference between personal Selling and Salesmanship

Personal selling and salesmanship are often used synonymously. But they are different. Salesmanship includes all activities u

ndertaken to induce people to buy products and services. Salesmanship is broader in scope. It is like an art or discipline. Personal selling is a way of practicing salesmanship.

Salesmanship involves all those activities which are to be undertaken to convert a man into a prospect and then the prospect into a customer.

Importance/Advantages of Personal Selling or Salesmanship

Importance of salesmanship may be studied form the following benefits to manufacturer, consumers and to the society.

A. Advantages to Manufacturers

1.Manufacturer gets larger profit due to increased sales
2.Salesmen have direct contact with the consumers and hence they can help the manufacturers to produce goods according to the needs of the society. They work as the "eyes and ears" of the manufacturers (or dealers)
3.Salesmanship helps in demand creation. Thus production increases
4.It facilitates quick sales. Hence accumulation of stock is avoided
5.It builds goodwill of the firm

A.Advantages to Consumers

1.Salesman informs the consumers about the existence of new products.
2.It helps the consumers in selecting best goods suited to their tastes and purses
3.It educates and guides the consumers in the task of buying
4.A true salesman acts as a friend and a guide of consumers and supported and an aid of the producers

Advantages to Society

1.Salesmanship by increasing business activities raises the employment opportunities and this increase the income and welfare of the community.
2.Through persuasion and education, salesmanship creates demand for luxuries and comforts and thus it raises the standard of living of the society.
3.It gives an attractive career to a large number of ambitious young men and women.

Principles of Personal Selling

The basic principles of personal selling are:

1. **Professionalism:** Professionalism in inculcated through training and development programmes. These programmes helps sales person to be an order seller than being a passive order taker. The sales person can solve the problems of the customers and also to understand the total selling solution.
2. **Negotiation:** It requires two parties to reach agreement on price and other terms of sales. A good salesman wins the order without making deep concessions or allowances. A professional sales person requires extensive training in sales and negotiation techniques.
3. **Relationship Marketing:** It is easier to get sales from an old customer as compared to getting the same forma new customer. So, today customer retention has become more important than customer attraction. Personal selling is the most effective method of building relationship.
4. **Company and product knowledge:** A sales person requires extensive and up-to-date knowledge of both the company he represents and the product if offers.
5. **Marketing and customer knowledge:** The sales person is closer to the customer than most other personnel in the organisation.

6. **Time management and area management:** Careful management of time and planning of shall generate opportunities for the salesman to make extra sales visits or gather and analyse market and customer information.

PUBLIC RELATION

A journalist can publish any story he wishes. A marketer has no control over the journalist. A journalist can create a negative publicity (e.g., company's products are defective) or a positive publicity. This type of coverage is read or seen by both customers and other publics of the company. Through the use of public relation activities, a marketer can attempt to influence a journalist or favourably impress the people. These groups have interest in the company's ability to achieve its objectives. In short, publics have an impact on the success or failure of the firm.

Basically there are four groups of public-customers, shareholders, employees and the community. The markets should establish relations with these groups. This is called public relation. Edward Louis Bernays is considered to be the founder father of modern public relations. According to him, "public relations are an attempt by information, persuasion and adjustment to engineer public support for an activity, cause, movement or institution".

Meaning and Definition of Public Relation

Public relation is a versatile communication tool. It is used by all types of organisations. It creates a favourable atmosphere for conducting business of the firm. It is a set of communication efforts used to create and maintain favourable relationships between the organisation and its publics. Public relation involves the total process of maintaining good relations with the public and improves the image of the firm in the eyes of the public.

The UK institute of Public Relation defines public relation in the following words: "Public relation is the deliberately planned and sustained efforts to establish and maintain mutual understanding between the organisation and its public".

Objective of Public Relation

The objectives of public relations are outlined as follows:

1. To promote products, idea, organisation etc.
2. To build credibility and image of the company
3. To reduce promotion cost
4. To motivate and help distributors and sales force sell the product
5. To earn support of the public

Importance/Advantages of Public Relation

The advantages of public relation are as follows

1. It has strong impact on public awareness at a lower cost than advertising
2. It helps in creating a good and favourable image of the company or its product in the eyes of customers
3. It helps in the introduction of new products
4. It helps to strengthen the employee morale
5. It is more credible than advertising

Major Tools of Public Relation (Public Relation Mix)

Firms use a variety of public relations tools to convey messages and to create images. Important public relation tools are as follows:

1.News and press release: News and press release create favourable news about the company and its products or personnel.

2.Speeches: Speeches can also create product and company publicity. Company executives field questions from the media or give talks at trade association or sales meeting.

3.Special events: Companies can organise and sponsor a number of special events such as a sports tournament, music and other arts and cultural programmes, contests and competition, exhibition, fair to capture the attention of the public.

4.Written materials: Another tool of public relation is written materials.

5.Audio – visual materials: Audio visual materials such as film, video and audio cassettes and slides and sound programmes are being used increasingly as public relation tools.

6.Contribution to social service activities: Companies can improve their public image by contributing money and time to social service activities. For example, some companies donate to tsunami victimsfund.

7.Social networking: Social networks have a vibrant built-in community that may be interested in business news. Top social networks include Facebook, YouTube, Twitter, and the like.

Events and experiences (Sponsorships)

These days' big companies sponsor some major events. Sponsoring events provides companies opportunities to get wider exposure to their brands and influences attitudes towards brands. In other words, companies can promote their brands and corporate name by sponsoring sports and cultural events.

Sponsorship has been defined by Sleight as, "a business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some rights and association that may be used for commercial advantages.

Reasons for Sponsoring Events (Objectives of Sponsoring Events)

Following are the reasons why marketers sponsor events:

1. Identify with a particular target market or life style.
2. To increase awareness of company or product name.
3. To enhance corporate image.
4. To create experiences and evoke feelings.
5. To express commitment to the community or on social issues.
6. To entertain key clients or reward key employees.

Interactive Marketing

In the past, engaging consumers in a conversation was difficult for marketers. All of that changed with the advent of the internet. In the last 25 years the consumer bebaviour has changed a lot with the proliferation of internet all across the world. The advancement in technology has led to create Internet as the promotional media among the other tools available under IMC. Interactive media through Internet, interactive TV, Kiosks and CD ROMs now allows for two-way information flow. In other promotional tools, the communication is one sided. Here the customer can interact and can give feedback or response to the company.

Meaning and Definition of Interactive Marketing

Interactive marketing is a one-to-one marketing practice that centers on individual customer and prospects actions. Interactive marketing involves marketing initiatives that are triggered by customers' behaviour and preferences. It involves reacting to customer actions and striving to meet their expectation and demands.

Interactive marketing involves a marketing tactic that is in response to something a consumer does. It relies completely on an action started by the consumer. That is why; interactive marketing is sometimes called trigger-based marketing or event-based marketing.

Forms or Types of Interactive Marketing

Interactive marketing includes many types of initiatives. Marketers may interact with customers via dynamic content such as visual storytelling, personalized content, layered information, and two-way interaction. Following are the different forms or types of interactive marketing.

1. **Search engine marketing**: Search engine marketing is one of the most common forms of interactive marketing. When customers type a query into a search engine, they are shown advertising based on their search terms. A search for shampoo might produce ads for hair care products.
2. **Company Official Website**: These present enormous opportunities for businesses to engages with their customers. They can browse product offerings, learn about the company's history, access deals, and participate in forums.
3. **Email marketing**: Delivering ads, deals and notifications through email is an effective and economical way to communicate with customers.
4. **Sponsorships**: Partnerships with companies that have a more established online presence can be a great way to connect with new customers.
5. **Blogging**: Short term blog posts can be used to keep customers informed about new products, special deals, and the culture behind a brand.
6. **Widgets**: Short downloadable tools that are branded are a great way to create additional value for that brand.
7. **Social networking**: Social networking sites like Face Book and Twitter have millions of users and are critical spaces for connecting with customers.

Advantages of Interactive Marketing

Interactive marketing has many advantages over traditional marketing. The advantages of interactive marketing may be outlined as below.

1. **Increased sale**: Through interactive marketing, the company can deliver what the consumer needs thereby leading to a sale. When a buyer buys some items, he may also by some other items that fit with his purchase. In this way sales increase.
2. **Increased consumer satisfaction**: Consumers like to buy things that most closely fit what they need. Interactive marketing is based on triggers from actions by the consumers. Hence, he gets the right product/service. Further, interactive marketing allows customers opportunities to help evolve their favourite products and brands.
3. **Lower marketing costs**: Consumers like interactive marketing because they don't have to repeat themselves. It's like having a personal shopper. Happy customers not only stay with the, but will refer in. It's cheaper to keep a customer than get a new one. Further, online advertising costs are significantly less than television, print or radio ads and often produce greater rates of return.

Meaning of word-of-Mouth Marketing

Word-of-mouth simply means any times someone talks about a brand .This can be on social media, it can be in product reviews –essentially, it can be anywhere. Thus, word of mouth marketing is the act of encouraging word of mouth about a company and its products (or services).

In short, word of mouth marketing is the strategy of making the people talk favourably about the product of a company and recommending the product to others.

Advantages of Word-of-Mouth Marketing

1.Build brand: Word-of-Mouth marketing helps build positive feelings about the firm's products and services. This in turn helps build company's brand.

2.Creates trust: Buyers tend to trust someone who gives them a referral because they assume that the person was happy with the services or products. According to a report, 92% of consumers say they trust recommendations from friends and family above all other forms.

3.Increases sales and profits: Happy customers refer the product to their friends and family. These friends and family refer their friends and relatives. As result, sales grew exponentially. Further, promotion costs are less. Because of higher growth of sales and lower costs of promotion, profit increase.

Steps for improving word-of-mouth Marketing (Strategies or Tactics of Word-of-mouth Marketing)

Word-of-mouth marketing is not a magic stone to solve problems. It is a long journey. A number of steps and strategies are needed to make the people talk and refer a company's product. Some of these strategies are as follows.

1.Provide amazing service: A company should provide a great offer along with exceptional customer service. Staff interacting with customers should be amazing.

2.Be unique: One way to generate word of mouth is by making the business truly note-worthy, This can be done in a number of ways, such as with: (a) one-of-a-kind product, (b) unique company culture, (c) creative marketing ideas, etc.

3.Create a good name: People appreciate businesses that are honest and fair. Reputation shall grow by being respectful of customers and treating them right. Customers should be treated like gold. It is also necessary to keep current customers extremely satisfied. This will encourage them to spread good words.

4.Active social community: A company can foster word-of-mouth marketing through a tight-knit social community. Online community can be developed by (a) encouraging dialogue (b) hosting contests (c) organising events, (d) loyalty programmes, etc.

5.Incentivize word of mouth: Sometimes people need a little above excellent service. A company can do this by simply providing an incentive for its customers to talk about its products. Discount should be offered to people who leave reviews or given coupons to people who write a longer review for the company's blog.

6.Use social media to create personal connections: Social networks are a fantastic medium for connection on a more personal level with customers.

7.Get People talking: Now the word of mouth will follow.People will start referring the company's brand to their friends and family. People are likely to tell everyone they know about a bad experience with a business, but they are usually thrilled to pass on information about good experiences too. And that is what word-of-mouth marketing is all about.

Review Questions A.Objective Type Question Fill in the blanks

1. The main object of................. is to move forward a product, service or idea in a channel of distribution
2. There are .... elements of promotion mix
3. .... is a paid form of communication by an identified sponsor.
4. .... Advertisement is used at the time of introducing a new product in the market.
5. When the advertisement is to create an image or reputation of the firm, it is called.......... advertising.

A.Short Answer Type

1. Define marketing communication?
2. What do you mean marketing communication mix?
3. Define advertising?
4. What is direct mail advertising?
5. Define salesmanship?
6. What is publicity?

7. Define interactive marketing?

A. Short Essay Type

1.What is marketing communication mix? What are the various elements of marketing communication mix?

2.What is the role of marketing communication?

3.What is sales promotion? Explain briefly the objectives of sales promotion

4.What measure would you suggest for sales promotion of consumer products?

5.hat factors do you consider while selecting advertisement medium?

6.What are the various tools of public relation?

7.How is word of mouth marketing improved?

A.Long Essay Type

1.Define marketing communication mix. How is an effective marketing communication programme is developed?

2. Explain the various sales promotion methods undertaken at dealer's as well as consumer's level.

3. Advertisement brings long term benefits but sales promotion is four quicker results" –

4.Define public relation? What i its importance? Discus the various tools in public relations?

MARKETING OF SERVICES

The term product also includes intangible services along with tangible physical products. In other words, marketing is applicable not only to product but services as well.

All over the world, services are growing dramatically, Banking, insurance, hospitals, travel organisers, universities, colleges, museums, communicationnetworks, hotels, cinema halls, airline, railways etc. are growing.

Meaning and Definition of service

A service is intangible product involving a deed, a performance or an effort that cannot be stored or physically possessed. Services are usually provided through the application of human and/or mechanical efforts directed at people or objects. A service in intangible yet provides satisfaction to the customer. It is performed by people, not manufactured by machines.

According to Ivanovic, "Service is the work of dealing with customers, or payment for this work. Services arebenefits which are sold to customers or clients such as transport and education". Kotler defines service as "any act or performance that one party an offer to another that is essentially intangible and does not result in the ownership of anything.

Its production may or may not be tied to a physical product".

Thus a service is an intangible product that provides benefits to consumers and involves human or mechanical effort. In Short, service is a deed, performance or efforts.

Examples of service include: (i) a plumber mending a broken pipe, (ii) an accountant auditing company accounts, (iii) a doctor visiting a sick patient, (iv) a taxi journey, (v) hair cutting etc.

Characteristics of services (Elements)

1.**Intangibility:** Services are intangible. Hence one cannot taste, touch, see, hear, smell, or use them like physical products.

2.**Lack of ownership:** When goods are purchased the buyer becomes its owner. But services are not physical in nature.

3.**Inseparability:** A physical product like soap or oil, is produced in a factory, bought in a retail shop and consumed in a customer's premises, at his convenience. But, service is not separable from the person or firm providing it.

Service Marketing

Service marketing can be defined as the process of identifying ,pricing, promoting and providing of the right services in the right time to the customers with a view to satisfy their requirements and the objectives of the service provider.

A.Short answer type

1. Define service?
2. Define service marketing?

MODULE-05

E-Commerce and E-marketing

Technology is changing fast. For instance, radio replaced gramophones, television replaced radios, and computers replaced television and typewriter. Similarly fax machines replaced telex, e-mail replaced fax messages, and audio cassettes replaced CDs and so on. Sonia Simone (CEO of remarkable communications) said, "The old massage, market, and medium have been replaced by conversation, community and connection". In fact, technological revolution and electronic revolution have brought tremendous impact on product, services and marketing methods. This had led to the development of e-marketing.

Meaning and Definition of E-Marketing

E-marketing is a part of e-commerce. E-marketing simply means marketing through electronic devices such as computer, Internet, TV and digital medium such as e-mail, web and wireless media and so on. It is the process of communicating, promoting and selling products and services through electronic devices and related digital technologies to achieve marketing objectives. It is the process of building and maintaining customer relationships through electronic media to facilitate the exchange of ideas, products and services that satisfy the goals of both parties. In e-marketing, the producers, intermediaries and consumers interact electronically or digitally in some way.

In the words of Chaffey (2006), "E-marketing is achieving marketing objectives through use of electronic communication technology."E-marketing is a subset of e-business that utilizes electronic medium to perform marketing activities and achieve desired marketing objectives for an organisaion. In short, e-marketing is essentially about conducting marketing activities through electronic means. It is the process of marketing a brand using Internet etc.

Nature of E-marketing

The following characteristics of e-marketing will indicate its nature:

1. It is the process of identifying, anticipating and satisfying customer needs through electronic means such as Internet, e-mail, digital technology, television etc.
2. It includes Internet marketing, search engine marketing, e-mail marketing, viral marketing, digital marketing, tele-shopping etc.
3. It is the process of keeping close to customers, forming relationship with them and keeping them happy through electronic means.
4. In reality, e-marking integrates online and off-line activities as required by the market.
5. It is extension of direct marketing
6. It is highly interactive in nature

Difference between E-marketing and Interactive Marketing

E-marketing is a broader term that describes any marketing activity performed through electronic media. Interactive marketing is generally a subject of e-marketing that involves a certain level of interaction.

Scope of E-marketing

The following aspects fall under the scope of e-marketing.

1. **Internet marketing**: This is the most important aspect of e-marketing. Many people view that Internet marketing means electronic marketing. Internet marketing simply means achieving marketing objectives through applying Internet technologies. Internet marketing is also known as online marketing or cyber marketing or virtual marketing (Internet marketing will be discussed in detail later).

2. Digital marketing: This is another aspect of e-marketing. Digital marketing simply refers to achieving marketing objectives through applying digital technologies such as websites, e-mail as well as other digital media such as wireless or mobile and media for delivering digital television such as cable and satellite.

3. **Search engine marketing:** SEM involves buying keywords.

4. **E-mail marketing:** E-mail marketing is an effective tool for building relationships with customers online. E-mail marketing simply refers to sending e-mails to customers and prospects by an organisation with a view to promote its products and services. It is a form of direct marketing which utilize electronic means to deliver commercial messages to an audience.

5. **Viral marketing:** It simply refers to word of mouth marketing through electronic channels like e-mail, Internet etc. It is the Internet version of word of mouth marketing through e-mail. In viral marketing, information is passed from one person to another just as a virus would be.

6. **Tele-shopping**: The visual aspect of TV allows for demonstration and product representation. This is much more impressive than mere catalogues. In tele-shopping, the television viewers can see a show where products are demonstrated by a 'host'. The consumers get details about the product from seeing the show. They can purchase products by placing order through media like telephone.

7. **E-branding:** Building e-brands are important when new products are introduced. Building an e-brand does not mean integrating logo into banners or creating rich media. Building an e-brand means paying attention to the entire realm of user experience and how that experience is influenced by online presence.

8. **E-advertising:** E-advertising can be defined as convergence (convergence means focusing at one place or point) of branding, information dissemination and sales transactions all in one place. It is the convergence of traditional advertising and direct response marketing. E-advertising giveadvertisers the opportunity to precisely target an audience enabling them to deliver advertisements that are customised to each user's particular interests and tastes.

Importance of E-marketing

E-marketing can help marketers to achieve many objectives. Many marketers are now-a-days turning to e-marketing. This is because e-marketing has number of benefits over traditional marketing. They are:

1. Reach: E-marketing opens up new avenues for smaller businesses on a smaller budget, to access potential customers all over the world.

2. Scope: E-marketing allows the marketer to reach consumers in a wide range of ways and enable them to offer a wide range of products and services. Anything can be sold through electronic channels.

3. Interactivity: E-marketing facilities conversation between companies and consumers.

4. Immediacy: E-marketing is able to provide an immediate impact.

5. Demographics and Targeting: E-marketing creates a perfect environment for niche marketing to target groups.

6. Other benefits: Maximum marketing efficiency creates new opportunities to seize strategic competitive advantages. It leads to improved ROI, more customers, happier customers etc.

Advantages of E-marketing

The main advantages of e-marketing may be outlined as below:

1. It contributes to increased sales opportunities.
2. It helps firms to have access to global market.
3. Exchange of goods and services or information is quick
4. It facilitates customised and personalised transactions or services to customers.
5. It ensures accuracy of information exchanged between parties.

Disadvantages of E-marketing

E-marketing has the following limitations:

1. There is the problem of maintaining the security
2. There is the problem of maintaining the security.
3. Shortage of skilled technical staff is another limitation
4. Set up and maintenance costs are high
5. Sometimes information is misleading

Difference between Traditional Marketing and E-Marketing

The major differences between e-marketing and traditional or conventional marketing may be outlined as below:

	Traditional Marketing		E-marketing
1.	It is the marketing through traditional devices	1.	It is the marketing through electronic devices such as Internet, e-mail, web, i-TV etc.

2.	There is limited interaction with the customers	2.	There is a high degree of interaction between the firm and the customers.
3.	Transaction costs are high	3.	Transaction costs are low
4.	Cost of collecting marketing information is high	4.	Cost of collecting marketing information is low
5.	Here, same message is broadcast to all customers (in each segment)	5.	Different communication message (unique message) is sent to each customer (or customers in micro-segment)
6.	Customer is a target	6.	Customer is a partner
7.	Based on segmentation	7.	Based on communities (aggregations of like-minded consumers)
8.	There is a physical market	8.	There is a virtual market place.

E-commerce

The world is changing and changing fast. The only thing that does not change about change is that things will change. Change is inevitable. Change takes place in social, cultural, political and other aspects of human life.

Meaning and Definition of E-commerce

E-commerce simply refers to commerce through electronic media. E-commerce refers to buying and selling goods or services through the Internet. It is a process of making business transactions by two or more parties through computer and some type of network. It is the actual buying and selling of goods and services electronically online.

Swass defines e-commerce as "the sharing of business information, maintaining business relationships and conducting business transactions by means of telecommunication networks".

Benefits (Advantages) of E-commerce

E-commerce changed the way products and services are sold and redefined the relationship between the buyers and sellers. The Internet has become an important sale and marketing force. E-commerce provides the following benefits:

A. Advantages to Companies

1. Increased potential market share and global reach
2. Easy to expand market with minimum capital outlay.
3. Enables to procure materials and services from other companies.
4. Shortens or even eliminates distribution channels, makes products cheaper and increase vendor's profits.
5. Enables customisation of products.

B. Advantages to Consumers

. Offers business 24 hours a day, 7 days a week, giving consumers access at any time, day and night.

2. Saves time, money and effort

3. Provides more choices (i.e., offers wide range of product and services).
4. Price and product comparison are available on line.
5. Provides a global market place

Limitations of E-commerce

Following are limitations of e-commerce:

1. Small business face tough competition from large businesses.
2. Security fears are a major barrier to the adoption of e-commerce.
3. There are chances of computer viruses and hackers accessing files.
4. Product details and other information about business are vulnerable to downloading by competitors.
5. New type of intermediaries are essential to e-commerce. These intermediaries add to transaction costs.

E-commerce Business Models (Types of E-commerce)

E-commerce business models describe the rationale of how an organization captures, creates and delivers value. Following are the different business models in e-commerce (or types of e-commerce).

1. Business to Business (B 2 B): In B 2 B transaction, the interaction is between businesses. In other words, both buyers and sellers are business entitles. Here businesses sell to other businesses. Transaction betweenmanufacture and wholesaler or between wholesaler and retailer are examples. Many companies like Tata, IBM, Telco, Citibank, BHEL, HULL, TVS, Maruthi Udyog, DuPont, Bajaj Auto, Samsung Electronics etc. are using e-commerce in some way or the other. B 2 B is the largest e-commerce model.

2. **Business to Consumer (B 2 C**): In B 2 C transactions, the interaction is between businessmen and consumers. Here the businessman sells his product directly to customers. A customer can view products shown on the website of business organisation. He can choose a product and order the same. Website will send a notification to the business organisation via email and organization will dispatch the product/goods to the customer. The most popular site is Amazon Com.

3. Consumer to Business (C 2 B) : Basic idea of this model is 'Give the consumer what he wants at the price he wants, without the merchant having to suffer public embarrassment." Consumer places an estimate of amount he/she wants to spend for a particular service. For example, comparison of interest rates of personal loan/car loan provided by various bank via website. Business organisation which fulfills the consumer's requirement with specified budget approaches the customer and provides its service. www.priceline.com is providing airline tickets at the demanded price by the consumer.

4. Consumer to Consumer (C 2 C): This is not very common at present. Most visible examples are auction sites. If one has something to sell, then he can get it listed at an auction site and others can bid for it. This helps consumer to sell their assets like residential property, cars, motor cycles etc. or rent a room by publishing their information on the websites.

5. **Business to Government (B 2 G)**: B 2 G model is a variant of B2B model. Such websites are used by government to trade and exchange information with various business organisations.

6. **Government to Business (G 2 B):** Government uses G2B model websites to approach business organisations. Such websites support auctions, tenders and application submission functionalities.

7. **Government to Citizen (G 2 C):** Governments uses G2C model website to approach citizen directly. **Such website** also provides services like registration for birth, marriage or death certificates. **Records** of land revenue and sale documents, passports, filing of IT returns, filing of complaints, payment of bills, payment of dues, filing of GST etc. by individuals are some of the service which are taken up in this category.

E-marketing, E-commerce and E-business

E-marketing e-commerce and e-business are different. E-marketing is a part of e-commerce. It is the marketing side of e-commerce. E-commerce simply means buying and selling over the Internet. It is only the transaction side of the business. It is just a part of e-business. E-business means all electronically mediated information exchanges, both within an organisation and with external stakeholders, supporting the range of business processes. In short, e-business means utilising electronic medium in everyday business activities.

M-commerce (Mobile Commerce)

The popularity of mobile phones has spread through all walks of life. There is mobile revolution happening all over the world. This has resulted in the growth of M- commerce (or M-marketing) M-commerce is a part of E-commerce. It allows people to do the transaction through mobile devices.

Meaning and Definition of M-commerce

M-commerce makes it possible the concept of delivering value to the customers always, irrespective of his geographical location. The buyer uses a variety of mobile phones, smart phones or portable Net books to browse and process orders.

According to Durlacher, "M-commerce refers to any transaction with monetary value that is conducted through a mobile telecommunications network".

Advantages of M-commerce

1. Wider reach
2. Lower costs
3. Convenience
4. Accessibility
5. Easy connectivity
6. Personalization
7. Time efficient

Disadvantages of M-commerce

1. Low acceptance rate
2. Limited capabilities
3. Heterogeneity
4. Theft of destruction
5. Low customer retention rate
6. Other issues

E-payment Systems

When we buy products from a business on the Internet, we have to make payment. In this case, we cannot make payment by means of cash or cheque.

In the real world, there are three ways to pay for goods. They are cash, cheque and debit or credit card. Card can be smart cards, ATM cards, and any other kind of credit card. They all serve a special purpose. They allow us to pay without cash. They are also online electronic payment media.

Meaning of E-payment System

E-payment means making payment through electronic media by sing credit or debit cards for the products bought electronically. E-payment systems are alternative cash or credit payment methods using various electronic technologies to pay for goods and services in e-marketing. In e-payment system, there is no physical delivery of cash or cheque.

Types of E-payment Systems

Research into electronic payment systems for consumers can be traced back to the 1940s. The first applications, credit cards, appeared soon after. In the early 1970s, the emerging e-payment technology was called electronic funds transfer.

Electronic Fund Transfer (EFT): This is a computer-based system that facilitates the transfer of money or the processing of financial transactions between two financial institutions the same day or overnight. EFT is defined as "any transfer of funds initiated through an electronic terminal, telephonic instrument or computer or magnetic tape so as to order, instruct, or authorise a financial institution to debit or credit an account.

1. Banking and Financial Payments
2. Retailing Payments
3. Online E-commerce Payments

Electronic Token Based E-payment Systems

Electronic token is a digital analogue of various forms of payment backed by a bank or financial institution. It is a unit of digital currency that is in a standard electronic format. Electronic tokens are of three types. They are as follows.

1. Cash or real time: Transactions are settled with the exchange of electronic currency. An example of online currency exchange is e-cash

2. Debit or prepaid: Users pay in advance for the privilege of getting information. Examples of prepaid payment mechanisms are stored in smart cards and electronic pusses that store e-money.

3. Credit or post-paid: The server authenticates the customers and verifies with the bank that funds are adequate before purchase. Examples of postpaid mechanisms are credit/debit cards and e-cheques.

E-money or E-cash

E-money or e-cash is an e-payment system. It is an electronic medium for making payments and is the trend today. It is the creation of electronic money or tokens, usually by a bank, which buyers and sellers trade for goods and services. It consists of a token, which may be authenticated independently of the issuer. E-cash includes debit cards, credit cards, smart cards, EFT, ACH (automated clearing house) etc.

Properties of E-payment Systems (Essential Requirements)

1.Atomicity

2.Consistency

3.Isolation

4.Durability

E-payment Media

Some of the important e-payment media may be briefly explained as below:

Credit Card: Credit cards are now accepted everywhere. Credit cards are the most widely used and convenient method of making online payment. Credit cards work around the globe, regardless of the location or country of the issuing bank. They also handle multiple currencies and clear transactions through a series of clearing houses.

It may be noted that credit cards are not convenient for making small purchases.

Debit Cards: Another important and popular method of making payment is through debit cards. Debit cards are issued by banks to their customers who have maintained an account in the bank with sufficient credit balance. Each time the customer makes a purchase, an amount equal to the purchases is debited in his account. When using a debit card, customers are drawing money from their account. But in the case of credit cards, customers are borrowing money from the banks.

Smart Cards: A smart card was first produced by Motorola in 1977. It is a thin, credit card-sized piece of plastic that contains a half-inch-square area that serves as the card's input/output system. A smart card contains a programmable chip, a combination of RAM and ROM storage, and an operating system of sorts, all embedded in the plastic. It encrypts digital cash on a chip and can be refilled by connecting to a bank. A smart card carries more information than can be accommodated on a card with a magnetic stripe. The chip's ability to store information in its memory makes the card smart.

Electronic Cheque: Electronic cheques are very similar to ordinary paper cheques except that they are initiated electronically. Digital signatures are used for signing and endorsing electronic cheques. E-cheques are delivered by public networks such as the Internet. E-payment (deposits) are gathered by banks and cleared through existing banking channels, such as automated clearing houses (ACHs).

E-Wallet

This is another payment system. It operates like a carrier of e-cash and information in the same way a real world wallet functions such as carrying real cash and various IDs. The aim is to give customers a single, simple and secure way of carrying currency electronically.

Essential Qualities of a Good E-payment System

A good online payment system should have the following feature:

1. Connectivity:A good payment processing system should provide connectivity to more payment processors and support more payment types.

2. Scalability: Transaction processing power should grow quickly, providing throughput and reliability as the transaction load grows from millions to hundreds of millions of transactions per month and beyond.

3. Maximum throughput: A good e-payment system should have built, in server software specifically designed for payment transactions.

4. Load balancing and linear growth: Highly available payment processing requires that individual transaction servers be both extremely reliable and efficient.

5. Reliability: The e-paymentsystem should be reliable.

6. Security: The hardware, software and physical plant developed and used are carefully coordinated with an aggressive set of best practices to provide maximum protection and integrity at various levels.

Security Risks in Internet

More and more merchants are now doing business online. Hence transaction security has become very important in e-marketing. Merchants (retailers) are facing threats against security of their valuable documents transacted over Internet. Consumers are not prepared to provide credit card payment due to lack of security. There are many different types of Internet transactions which make security difficult. Therefore, in order to protect consumers from various forms of fraud and misconduct, security and verification are necessary for all types of data.

The following are the major risks faced in Internet-based transactions:

1. Spoofing: The low cost of website creation and the ease of copying existing pages makes it all too easy to create illegitimate sites that appear to be published by established organisations. The unscrupulous persons or organisations hack into a system and obtain credit card details. In short, spoofing involves someone masquerading as someone else.

2. Unauthorized disclosure: When information about transactions is transmitted, in a transparent way, hackers can catch the transmissions to obtain customers sensitive information.

3. Unauthorized action: A competitor or an unhappy customer can alter a website so that it refuses services to potential clients.

4. Eavesdropping: The private content of a transaction, if unprotected, can be intercepted, when it goes through the route over the Internet.

5. Data alternation: The content of a transaction may not only be intercepted, but also altered, either maliciously or accidentally. User names, credit card numbers and amounts sent are all vulnerable to such alternation.

6. **Phishing**:Phising (Pronounced as fishing) is a specialised form of online identity theft. It means obtaining personal details online through sites and e-mails masquerading as legitimate businesses.

Principles of Security Systems

The basic requirements for security systems are as follows:

1. Authentication: Customers must be able to assure that they are in fact doing business and sending private information with a real and existing business organisation.

2. Confidentiality: All messages in the e-marketing environment should be confidential. Information must be protected from the eyes of unauthorised internal users and external hackers.

3. Integrity: Transaction must remain unmodified during the transit between client and server. Communications must be protected from undetectable alteration by third parties in transmission on the Internet.

4. Non-reputability: After sending message, the sender should not be able to deny the message after some time.

5. Privacy: There should be sufficient provision to safeguard message that is being sent or received over Internet. The message may sometimes be read or even altered by some unknown interloper. This problem is technically called unauthorised network monitoring or packet sniffing (sniffing is the act of reading unprotected packet information as it travels over a network. Packet means data being transferred over a network in a unit).

Security Tools

There are numerous threats that appear on the Internet or are spread through the Internet. Such threats include viruses, worms, Trojans, hackers, denial of service, sniffers and information theft. There are also internal threats from staff and backdoors. There are some software technologies that can be used to face such threats.

A business enterprise can make use of technologies to build up a trusty infrastructure to take full advantage of the Internet. The following methods can be used for managing the risks in Internet marketing.

1. Anti-virus Programme: The first and most critical element of Internet security system is antivirus software. If organisations do not have up-to-date antivirus software, they are asking for trouble. Antivirus software scans computers for signatures of a virus. A virus signature is the unique part of that virus. Good antivirus software will find viruses that have not yet infected your PC and eliminate the ones that have. Antivirus software alone will not keep your computer cent percent safe. It is also necessary to use other methods like firewall software.

2. Audit Logs: The audit longs along with the firewall logs are to be examined on the semi-regular basis with the aim of the detection of abnormal activity.

3. Firewalls: Firewalls can be used to minimise the risk of security breaches and viruses. Firewalls are usually created as software mounted on a separate server at the point the company is connected to the Internet. Firewall software can then be configured to accept only links from trusted domains representing other offices in the company or key account customers. Thus, all access to the Internet will go through firewalls. This means the Internet traffic will be able to be watched closely. Hence any misuse can be noticed quickly.

4. Backups: In order to protect the data in the system, we take backups of all critical files on the web server. Hardware and software can be used for backups.

5. Encryption : Encryption software using cryptography is used to secure all financial matters or transmission of any sensitive information. Encryption is a process that conceals meaning by changing messages into unintelligible message. There are two main methods of encryption. They are as follows:

(a) Symmetric encryption: This involves both parties having an identical (shared) key that is known only to them. Only this key can be used to encrypt and decrypt messages. This secret key has to be passed from one party to the other before use. In short, a single key is used by the transmitter for encryption and the receiver for the decryption. Symmetric encryption is also known as *secret encryption.*

(b) Asymmetric encryption (public key) : In this case, a pair of keys namely a public key and a private key are used. One key is used to encrypt the message and the other key is used to decrypt the message. They are mutually related because data encrypted with one key can be decrypted only by using other key. A public key is knows to everyone, while private key is known only to the owner. Asymmetric encryptions is also known as *public key encryption.*

6. Digital signature: Digital signature are used not only to verify the authenticity of the message and claimed identify of the sender but also to verify message integrity. A message is encrypted with the sender's private key to generate the signature. The message is then sent to the destination along with the signature. The recipient decrypts the signature using the sender's public key.

7. Digital certificates: A digital certificate is an electronic file that uniquely identified individuals and websites on the Internet and enables secure, confidential communications. The security of transactions can be further strengthened by the use of digital certificates.

Hacking

Hacking is a computer crime in which the criminal breaks into a computer system for exploring details of information etc. It means destroying, deleting or altering any information residing in a computer resource or diminishing its value or utility or affecting it injuriously by any means with the intent to cause wrongful loss or damage to the public or person.

REVIEW QUESTIONS

A.Objective Type Questions

Fill in the blanks

1. E-marketing is part of..........
2. ....refers to word of mouth through electronic channels.
3. ....advertisement is a small, graphic links placed on a web page.

B. Short Answer Type

1. Define e-marketing
2. What is meant by e-mail marketing?
3. What is B2B type of e-commerce?
4. What is meant by electronic fund transfer?
5. Distinguish between debit card and credit card.
6. What do you mean by eavesdropping?
7. What are firewalls?

C. Short Essay Type

1. Define e-marketing. What are the essential features of e-marketing?
2. What are the advantages and disadvantages of e-marketing?

3. Give an account of e-commerce marketing practices?
4. What are the main properties of e-cash system?
5. What are the uses and applications of smart cards?
6. What are the principles or requirements for security systems in Internet?

Long Essay Type

1. Define e-marketing. Discuss the scope and importance of e-marketing
2. Define e-marketing, Discuss the various reasons for the growth of e-marketing.
3. Discuss the various e-payment media with merits and demerits of each.
4. What are the risks being faced in Internet? Briefly discuss the various securities toolsavailable to reduce such risks. How far these tools are effective?