UNIT - 4

Managing Marketing and Growth of Enterprises

COMMON MARKETING PROBLEMS FACED BY ENTERPRISES

Marketing can be defined as a process which identifies, anticipates, and satisfies customer needs efficiently and profitably in keeping with the objectives of the enterprise.

Some of the common marketing problems faced by enterprises are as follows:

- **Lack of brand image**: Consumers may be guided by brand image. Large-scale units formulate their strategy and create and monitor the market with the help of the media. In such an environment, enterprises with limited propaganda and advertising will find it difficult to penetrate the market.
- **Product quality**: Enterprises in the initial stages have a serious limitation in terms of product quality. It is costly and difficult for an enterprise to have quality testing and evaluating equipment. The stipulation of minimum wages on the one hand, and low labour productivity on the other, makes it difficult for enterprises to compete in terms of prices. They may, therefore, be compelled to reduce the profit margin or use low-priced inputs or zero-wage family labour.
- **Credit sales**: The enterprise is invariably called upon to sell on credit. However, when it comes to purchasing inputs, they are denied liberal credit facilities. With the result that enterprises often have to borrow excessive working capital compared to what is legitimately needed. The effective interest cost increases the general cost of production and prices, making it non-competitive. In a way, the enterprise faces a buyer's market while marketing its products and a seller's market while buying raw materials.
- **Low prices**: Price determination in an enterprise is generally non-institutional. The prices quoted by large enterprises are accepted together with the predetermined terms of sale. In case of enterprises, the prices are "bargained" on a one-to-one basis and brought down to the lowest level possible.
- **Local and limited market**: Enterprises generally cater to the needs of the local and limited market due to the prohibitive cost of creating a wider distribution network. This is a blessing as well as a curse for the enterprise. The addition of transport cost will make the product non-competitive in upcountry markets.

DIFFERENCES BETWEEN PRODUCT AND SERVICES MARKETING

Although there are some tools, concepts, and strategies that can be generalized to all marketing situations, it is important to understand that marketing management tasks in the services sector differ from those in the manufacturing sector in several respects. However, it should be recognized that each of the distinguishing characteristics discussed here is only a generalization and does not apply equally to all types of services.

Trust Aligned with the Product

When a product is sold, the enterprise should have sufficient trust in the ability of the product to perform the service described in its specifications. However, while marketing a service, the enterprise must have complete trust in the ability of the employees providing the service. In the case of a service, customers must receive the assured result instead of a tangible product. This could be best explained with an example of tailors catering to each of their customers differently as per set requirements.

Product Positioning

Positioning is the vital strategy of marketing, which helps an enterprise to institute a distinct position for its brand in the minds of the target customer. While marketing a product, companies try to position it when it is introduced in the market taking into account its features such as low cost and added value. In services, the product is only positioned in the minds of the customer if it matches their expectation and persuades them that it is the best on offer.

More Contacts Between Customers and Service Personnel

Few consumer goods involve contact between customers and the manufacturer's employees. Customer contact tasks are usually delegated to independent retail intermediaries such as stores, dealerships, and approved service suppliers (all of which are, of course, service businesses). There is more contact in the case of industrial goods since these are often sold directly rather than through intermediaries. In contrast, almost all services entail direct contact with the service supplier, usually in person or by mail or telephone. Frequently, the demeanour and behaviour of service personnel play an important role in determining whether or not customers are satisfied.

Customer Involvement in Production

Service operations can be divided into "front office" and "back office" components. Customers are usually exposed to the former and not to the latter. In high contact services that are delivered directly to the customer—such as passenger transportation, health care, and restaurants—the front office represents a relatively large proportion of the total service operation.

Interactions Among Marketing, Operations, and Human Resources

A distinction needs to be made between the marketing function and the marketing department in a service firm. The former embraces all activities experienced by customers. The department, by contrast, is simply an organizational unit that is responsible for some (but not necessarily all) of the marketing activities performed by the firm.

Problems in Controlling Product Quality and Consistency

Since many services are consumed as they are produced, the final "assembly" and delivery of product elements must take place under real-time conditions. Mistakes and shoddy work in the front office are likely to be noticed by the customer before they can be caught and corrected by a quality-control inspector. In contrast, there is a better chance of catching such problems in the back office or in a manufacturing plant.

Absence of Inventories

Since a service is a deed or performance rather than a tangible item that the purchaser gets to keep, it cannot be inventoried. Unused capacity in a service business is like having a running tap in a sink with no stopper. The flow is wasted unless customers are present to receive it. When demand exceeds capacity, customers are likely to be sent away disappointed, since no inventory is available for backup. Therefore, one of the key tasks for marketers in capacity-constrained service firms is to find ways to smoothen demand levels to match available capacity. Some examples include transportation, lodging, and repair shops.

Importance of the Time Factor

Although convenience of location is often stressed as a key success factor for many services, convenience of scheduling is often just as important. The service must be available when the customers want it as well as where they want it—an important rationale for extending the working hours in many service businesses. A second aspect of timing concerns the duration of service delivery from initial request to final conclusion of the service transaction.

Structure of Distribution Channels

Unlike goods, which require physical distribution channels for moving them from factory to customers, many service businesses either use electronic channels or combine the service factory retail outlet and consumption point into one. However, a distinction should be drawn between service execution and concept design. As a result of the high capital cost of achieving broad distribution of services to numerous “factories in the field,” there is a growing trend for developers of a service concept to contract out execution of that concept to individual entrepreneurs working as franchisees.

ESSENTIAL MARKETING MIX OF SERVICES MARKETING

A service tends to be an experience that a customer holds at a point of purchase. It is highly intangible and perishable in nature. It is inseparable from the point of consumption. Services marketing mix is an intended package of basic elements that make up the product or service, which is presented to the market. Unlike product marketing **which deals with the 4 Ps, i.e. Product, Price, Place, and Promotion**, services marketing also deals with People, Process, and Physical Evidence. The difference between product marketing and services marketing is given in Table 14.1.

People

The use of appropriate staff and people is an indispensable element of any service provision. To have an edge over other competitors, it is very important to have the right staff at the right time. Training also plays an instrumental role in the service delivery process. Consumers make opinions and convey perceptions of the service based on the employees they deal with. It is very important for the staff to have the right attitude, interpersonal skills, and knowledge of the service offered by their company. Singapore Airlines is renowned for its customer service because of its careful selection and training of employees.

Table 14.1 Product Marketing Versus Services Marketing

Product Marketing	Services Marketing
Marketing is visible	Marketing is invisible
Tangible in nature	Intangible in nature
Deals with the 4 Ps	Deals with the 7 Ps
Standardized product	Heterogeneous product
Production separate from consumption	Simultaneous production and consumption

Process

Process is the system used to support the organization in delivering the service. When a customer walks into a Kentucky Fried Chicken outlet, orders a meal, and it gets delivered within two minutes, the process involved in delivering the product efficiently and effectively would foster consumer loyalty and satisfaction.

Physical Evidence

The place where the service is being delivered is known to be the physical evidence. It is the constituent of the service mix, which enables the consumer to make a consensus on the enterprise. For example, if a customer walks into a restaurant, he would expect a clean and friendly environment. Physical evidence is an essential ingredient of the service mix. Consumers make perceptions based on their sight of the service provision, which has an impact on the organization's perceptual plan of the service.

KEY SUCCESS FACTORS IN SERVICES MARKETING

What does it take to succeed in marketing? Each situation, of course, has its own specific requirements. However, there are a number of key factors that tend to characterize successful service businesses, as discussed below.

Clearly Articulated Positioning Strategy Once a service firm has selected a positioning strategy, it must articulate this clearly to both prospective customers and its own employees.

Clarifying the Elements of the Product Package Service can be redefined as all actions and reactions that customers perceive they have purchased. The product package can usually be divided into the core service offered by the firm such as transportation of goods between two points, and various supplementary services provided to customers such as acceptance of orders, billing and documentation, problem solving, and other service extras.

Emphasis on Quality Developing a quality service begins with determining the customer's needs (which may vary on a segment-by-segment basis). These needs must be transformed into service specifications, and actual execution of service procedures must then conform to these specifications. It is important that the firm communicates clearly to customers what level of service they should expect and adhere to this level. Failure to meet expectations is almost sure to result in disappointment.

Customer Retention Few service firms rely on one-time sales for the bulk of their business. Getting repeat business is often more important to financial success than winning new customers. This is least because obtaining a repeat sale from an existing customer usually involves only a fraction of the effort required for acquiring a new customer.

Collecting and Using Customer Data Most service firms collect extensive data on their customers for operations and accounting purposes (consider how much a hotel learns about each guest, or how much data a bank collects on a customer's background and use of the bank's services). These databases are potentially marketing goldmines.

Close Relations Among Marketing, Operations, and Human Resources In the services business, operations have a very important role. It not only creates the product but is also responsible for its delivery.

Soliciting Feedback from Customers and Employees Feedback from customers helps the firm determine whether or not it is doing a good job. It may also provide insights into ways of improving the quality of service and even generate ideas for new services not currently offered.

Top Management Commitment Without the support of the chief executive officer and other members of the top management team, it is almost impossible for a service organization to achieve and maintain a strong marketing orientation. In many successful service firms, top executives practice what has been called "management by walking around," by spending time at service delivery locations in an effort to stay close to both their employees and their customers.

MARKETING PROCESS

Marketing is the essence of all enterprises. The activities of marketing products are interrelated with each other and add value to the end customer and to society. The marketing process is illustrated in Figure 14.1 and comprises the following stages:

Market Research

It is an organized activity which enables enterprises to gather pivotal information about the market and customers. Market research facilitates the analysis of customer behaviour, market size, and potential. It acts as a key factor to create an edge over competitors. Marketing research should be a continous process, which involves the collection and evaluation of information from all sources, and results in the modification of the marketing strategy if necessary.

Marketing Planning

A marketing plan is to be developed in detail on the basis of functional plans and programmes. The marketing plan should be formalized as a written document. The marketing planner will define target segments to cater to, the target marketing strategy to be followed, and the positioning of the product in the market in relation to competitors. Segmentation is a process of grouping customers with common needs, behaviours, and desires. After cautiously segmenting the market, enterprises concentrate on their target customers, positioning their products, and branding. Targeting is the selection of actual customers to whom the enterprise wants to cater their products. Positioning helps enterprises to conquer the minds of the customers; it also facilitates people to form a mental image of your product in their minds. According to the American Marketing Association (AMA), a brand is a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers." A good brand helps enterprises to connect the prospects emotionally and motivates the buyer to be a loyal customer.

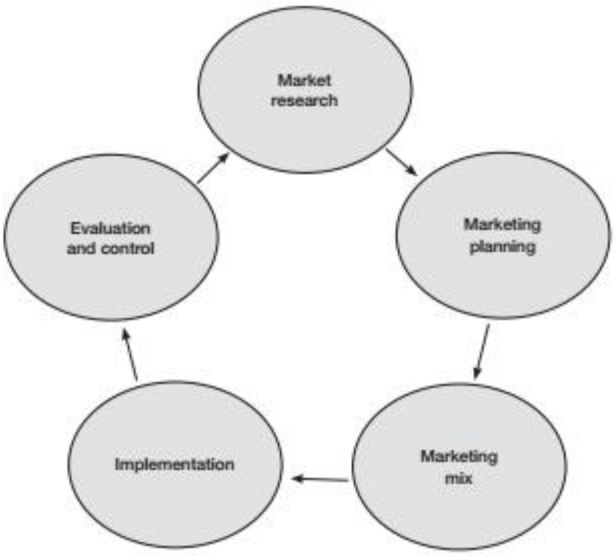

Figure 14.1 The Marketing Process of an Enterprise

THE CONTENTS OF A STANDARD MARKETING PLAN ARE GIVEN BELOW:

- **Executive summary and table of contents**: The executive summary provides a synopsis of the overall marketing plan. A table of contents should follow the summary so that readers can easily find more details about each point.
- **Mission statement**: This section should explain the purpose of the business.
- **Summary of performance till date:** The summary of performance till date comes from the projection out of the past performance, if any.
- **Summary of financial projections**: This section provides a snapshot of what is going to happen in the future based on forecasting and past data, if any.
- **Market overview**: This section provides an indicator of the behaviour of the market in the future. A marketer may use a scenario analysis to explain the likely behaviour of the market.
- **SWOT analysis**: SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis identifies the major strengths, weaknesses, opportunities, and threats which your organization faces.
- **Portfolio summary**: A summary of portfolios helps in allocation of divisions. This summary will show how balanced the company is among its portfolios.
- **Market assumptions**: This section provides a list of assumptions based on which the marketing plan is prepared.
- **Marketing objectives and goals**: This section provides marketing objectives and goals in clear, measurable terms like sales volume, market share, and profit.
- **Financial projections for at least three years**: This section provides financial projections for three years to regulate the market function.
- **Marketing strategy**: This section is the game plan for the market and includes target segments and product positioning in the market in relation to competitors.
- **Marketing action plans**: This section covers the functional plans and will answer questions like, "Who will do it? What will be done? When shall it be done?," the resources required, and what the result of the action is likely to be.

Marketing Mix

Business, as a whole, engages in different marketing activities. The combination of all such activities is called a "marketing mix." Although there are many elements, a popular classification consists of the "4 Ps"—**product, promotion, price, and place**.

Product This is the core element of the marketing mix and consists of tangible products and intangible services offered by an enterprise. It incorporates everything a customer desires such as design, quality, packaging, guarantee, and after-sales service.

There is no ideal or appropriate mix. It all depends on the requirements of the target market. Different market segments require different grades of quality and sophistication. Careful attention should be given to the tangible and intangible elements of the product to create an overall impact in the market.

Promotion Promotion involves various tools to create awareness for the product among customers. Information on the product is a prerequisite for making a purchase. The success or failure of a venture depends mainly on the effectiveness of the promotional efforts made for marketing the product.

Price Pricing comprises basic price, discount, and credit policy. Prices should be decided in the light of production costs, demand, and competition. Pricing policy is related to different qualities, and again, to different market segments. One manufacturer may be able to supply a high-quality product at a certain price while another in the same industry offers a cheaper product at a lower price to another market segment.

Place This is to make the product available to the target market. It includes the physical movement of the product and the type of distribution channels or dealership to be employed. Big firms have their zonal or regional authorized agents or dealers spread over the entire country. The dealers, in turn, work with sub-agents or distributors and retailers, or directly with the customers, depending on the type of the goods—consumer, industrial, or pharmaceutical. Travelling salesmen book orders from retailers and the consignment follows from the dealers or directly from the manufacturers.

Implementation and Control

Marketing implementation involves the execution of the planned strategy and allocation of scarce resources for achieving marketing goals. The marketing manager executes the marketing strategy by translating it into a number of operational plans and short-term programmes, whose time-bound results can be measured. Marketing control is a process of benchmarking the expended efforts and resources with the set of goals.

COSTING AND PRICING

The cost of a product has two components. One is the fixed cost, which does not vary with the change in production level. The other is the variable cost, which varies according to variations in the level of production. Fixed costs include costs such as factory rent, salary of staff, interest on loan, depreciation charge on machinery, taxes and interest rates, water and power charges, and other miscellaneous expenses. Variable costs are expenses that vary based on production volumes. They include material, labour, utilities, and delivery costs.

The difference between the selling price of a product and its variable cost is known as contribution. Any enterprise should have the total contribution from operations equal to the fixed cost incurred by it to enable it to reach the break-even point—the point of no loss or profits. Any sales below the break-even point will result in a loss for the unit while production/sales above the breakeven point will mean profits.

A rudimentary idea of costing can be had by referring to what is known as the cost ladder.

Cost Ladder

Different industries follow different methods of costing because of the differences in the nature of their work. A common method of determining the selling price and marketing price of a product/ service is by using a cost ladder, which is in the form of a series of equations as given below.

Direct material cost + Direct labour cost = Principal cost

Principal cost + Overheads = Factory cost

Factory cost + Selling expenses = Ex-factory cost

Ex-factory cost + Profit = Selling price

Selling price + Discount = Market price

The major variables are material, labour costs, and overheads. Direct material cost will vary according to the prevailing market conditions. Direct labour cost will vary according to the skill, efficiency, or productivity of labour. It can be controlled by employing skilled, experienced, quality conscious, and productive labour and by better supervision and management. The use of the latest technology and machinery will also have a direct bearing on productivity.

BRANDING

- Given the lack of resources and the limited marketing power of entrepreneurial firms, branding gets neglected by many start-up firms. Business plans, however, outline a strategy based on premium pricing. Premium pricing is possible only if the customer places a higher value on the product or service being sold.
- In this case, branding the product becomes inevitable. At the same time, larger multinational corporations have the luxury of huge brand-building budgets. A brand is a name, word, mark, symbol, device, or a combination thereof, used to identify a product or service of one seller and to differentiate them from those of competitors.
- The brand name is a part of a brand consisting of a word, letter, or groups of words or letters that can be vocalized.
- The brand mark is a part of a brand consisting of a mark, design, distinctive logotype, colouring scheme, or picture used for the purpose of identification.
- Brand identity consists of a unique set of brand associations that the brand strategist aspires to create or maintain. The perception of a customer about a brand is termed as the brand image.
- The brand position is that part of the brand identity and value proposition, which is to be actively communicated to the target audience.
- The brand position demonstrates the advantage that the brand has over competing brands. Brand equity is a set of brand assets and liabilities linked to a brand, its name, and symbol, which add to or subtract from the value provided by a product or service and/or to that firm's customers.

NEW TECHNIQUES OF MARKETING

Every time you include something innovative in marketing attributes to your business, you generate an opportunity for more sales. It also enhances the chances of repeat purchase and thereby increases the horizon of customers. The following section explains new techniques of marketing.

INTERNET MARKETING

- Internet marketing is also termed as e-marketing, web marketing, online marketing, and search marketing. The marketing of products through the Internet is known as Internet marketing.
- It also helps in borderless marketing due to its large scope and penetration power.
- Internet marketing has been more successful from the aspect of the product meeting the eyes of the customer.
- Amazon.com is the leading business in Internet marketing.

- Internet campaigns help enterprises to design and attract the customers in a cost-efficient manner.
- It helps enterprises to manage their leads and convert them into opportunities in a seamless process.
- Investment is very low and captures a huge market.
- It provides flexibility and gives personalized time space.
- Experimenting and testing new products or services are feasible in this channel of marketing.

Internet marketing, however, has its own limitations.

- It entails a great deal of effort and work.
- It needs to be abreast of changes, else it gets outdated within no time.
- Targeting the right people is relatively a difficult task.
- It lacks in after-sales service and personalized customer service.

DIRECT MARKETING

- This technique helps enterprises to communicate directly with the end consumers.
- It is adopted by the smallest start-up business to leaders in the industry.
- A well-planned direct marketing campaign can provide a good return on investment.
- Direct marketing involves directly reaching a target market, that is, customers and prospects, on a personal level through tele-calling, direct mails, or through sources of mass media like infomercials and magazine advertisements.
- Pharmaceuticals and tourism services usually go for direct marketing.
- This technique offers a distinctive range of benefits because it helps to connect openly with available customers, prospects, or end users.
- It helps the enterprise to flexibly categorize and isolate its target markets.
- It is beneficial to assess new markets and trial products.
- Direct marketing turns out be very cost efficient.
- Telemarketing as a tool for direct marketing achieves results in a swift and flexible manner.
- The conversion rates or results can be measured easily with this technique.
- It helps in planning and forecasting for the future.
- It is one of the best tools to build a long-term relationship with customers.

However, direct marketing has its own limitations as well.

- Direct mailing as a tool for direct marketing offends consumers and many do not endorse it as they say it hinders their private lives.
- In case of e-mail marketing, e-mails sent as part of direct marketing are often placed into the spam or trash folders.

- Customers are also not very happy about receiving voice mails on phone.

NICHE MARKETING

- A Niche consists of a narrowly-defined customer group, which seeks a distinctive mix of benefits.
- Niches can be identified by dividing a segment into sub segments.
- Customers in a niche have a unique set of needs, and will pay a premium to the firm that best satisfies their needs.
- Another feature of a niche is that it is not likely to attract other competitors.
- Sometimes, a concentrated strategy of focusing on a narrow niche market is more profitable than spreading resources over several different segments.
- The company gains certain economies through specialization and the niche has size, profit, and growth potential.

Niche marketing has its own benefits and limitations.

- The benefits are that it can be extremely cost effective;
- it is not likely to attract other competitors;
- the company gains certain economies through specialization and the niche has good growth potential.
- The limitations are threats of cannibalization due to the smaller market share and the necessity of skilled marketing techniques.

AMBUSH MARKETING

- Ambush is a technique used by enterprises where the advertisers associate themselves with a particular event without any investments.
- Ambush marketing, a term coined by marketing guru Jerry Welsh, refers to an enterprise's attempt to benefit from the goodwill and reputation of a particular event by creating an association with it, without the agreement or approval of the essential parties.
- There are various approaches in ambush marketing like direct ambush marketing, indirect ambush marketing, and incidental ambush marketing.
- The best-known example of ambush marketing in India was during the 1996 cricket World Cup, when Coke paid INR. 40 crore to be named as an official sponsor of the event, but Pepsi came out with a counter advertisement, "Nothing official about it," hijacked the World Cup, and clearly occupied the consumer's mind space.

Ambush marketing has its own benefits and limitations.

- It increases competition, prices of product go down relatively, and it could turn out to be advantageous to customers.
- This technique helps to target a huge market space.
- It attracts various segments in one go.

- The positioning of an enterprise becomes moderately easy.
- This tool also provides benefits in the sphere of public relations.
- The limitations are that some events may perhaps go unobserved by the target market.
- If an enterprise is associated with an unsuccessful event, its brand image may take a beating.

GREEN MARKETING

Green marketing refers to the marketing of products that are assumed to be environmentally friendly.

It includes activities like product alteration, changes to the production process, and packaging innovation.

The main objective of enterprises using this technique is to improve environmental quality and customer satisfaction.

Terms like phosphate-free, recyclable, refillable, ozone friendly, ecotourism, and environment friendly are some of the terms that consumers most often associate with environmental marketing.

Organizations like The Body Shop heavily promote the fact that they are environmentally responsible.

Green marketing has its own benefits and limitations.

The benefits are that

- It saves natural resources
- It directly reduces the operational cost of an enterprise
- It enhances the relationship with and the loyalty of customers
- Helps improve the brand image, goodwill, and identity.

The limitations are that

- It is time consuming and the costs incurred could be colossal.
- It is also difficult to balance customers' needs and expectations, and the cause may go unnoticed by the customers.

SOCIAL MARKETING

- Social marketing focuses on attaining explicit behavioural goals for a social cause.
- The chief intent of social marketing is "social well-being."
- Social marketing is an important technique used to seek specific behavioural changes.
- Enterprises conduct campaigns for social awareness like the pulse polio programme, family planning, and AIDS awareness.

Social marketing has benefits as well as limitations.

- It is one of the cheapest ways of marketing with a high return on investment.
- Enterprises using such techniques usually do not require high technical skills.
- Social marketing increases the visibility of products and the brand as a whole.

- It educates a large audience in a very short span of time.
- Enterprises also obtain the opportunity of making a social acquaintance with the customers.

However,

- social marketing is a time-consuming process.
- Sometimes, a wrong online brand approach could turn out to be bad word-of-mouth publicity for the enterprise.

RELATIONSHIP MARKETING

- Relationship marketing focuses on building mutually satisfying, long-term relationships with important stakeholders—customers, suppliers, distributors, and other marketing partners in order to earn and retain their business.
- Relationship marketing involves cultivating the right kind of relationships with the right constituent groups.
- As part of relationship marketing, marketers focus on customer relationship management (CRM) as well as partner relationship management (PRM). Unlike other techniques of marketing, it emphasizes customer loyalty and satisfaction with exclusive promotional strategies.

Relationship marketing has its own benefits and limitations.

- This technique improves customer experience.
- It helps in retaining customers and developing loyalty.
- It enables an enterprise to reach its target audience in a fruitful manner.
- Using this technique, marketers can easily maintain a database for future use and also respond to customer needs easily.

This technique has certain limitations too.

- The cost incurred in this method is usually very high.
- It could at times be a misleading or a misguiding technique for the customers because the genuine value of the brand and the product could be hampered.

VIRAL MARKETING

- It is a phenomenon that assists and encourages people to pass along a marketing message.
- Viral marketing, also known as buzz marketing, depends on the message being transmitted from customer to customer at a fast tempo.
- If a large fraction of recipients forward something to a large number of associates, the overall expansion snowballs very quickly.
- Hotmail is one of the classic success stories of the benefits of a viral marketing campaign.
- The founders of Hotmail offered free e-mail to customers, and simply attached a signature at the bottom of each e-mail message that promoted their free service.

- Every single e-mail sent by a Hotmail user contained this message, thus spreading it like a virus.
- Recipients would see the advertisement, and as a result, they too signed up for Hotmail.

Viral marketing has its own advantages and limitations.

The advantages are that

- alliances with unknown groups become easier
- it is a cost-free method of promotion
- the resources are easily available.

The limitations are that

- it might result in the transfer of wrong messages.
- Marketers can also lose control in their initiatives.
- It is also a very complex task to measure the marketing campaign.

RURAL MARKETING

- Rural marketing is defined as a marketing process in which one dominant participant is from a rural area.
- Rural marketing consists of the marketing of inputs (products or services) to the rural markets as well as the marketing of outputs from the rural markets to other geographical areas.
- Rural markets are free from the shackles of the global meltdown.
- They exhibit several distinctive characteristics that are different from urban areas.
- Literacy levels, family structure, occupational patterns, spatial distribution of household settlements, social customs and norms, and several other features are unique to rural India.

Rural marketing has its own advantages and disadvantages.

- It helps in socioeconomic changes and uplifts society.
- Markets can be tapped at a lower cost.
- The high costs can be covered if the service and the product are up to the expectations of rural customers.

However,

- transportation and warehousing becomes difficult in the rural market.
- Some of the other challenges are the difficulties in providing after-sales service
- the lack of dealers in the rural market
- inadequate banking and credit facilities for customers
- the difficulties to maintain a sales force.

GLOBAL MARKETING

- The evolution of international marketing practices has led to global marketing.
- Global marketing can be defined as "marketing carried on across national boundaries spanning a number of countries."
- Global marketing is initializing and then conveying an ultimate product or service globally with the hopes of reaching the international marketing society.
- The concept of the global market considers the whole world as the market and the different countries as its components.
- There are two methods of entry into foreign markets—**indirect exporting** and **direct exporting**.
- In case of **indirect exports**, a producer makes his products and services available in the overseas markets through an intermediate firm and; therefore, gets limited exposure to the international marketing environment.
- **Direct exporting** deals with the process of selling the firm's products directly to an importer in the overseas market. A firm may also piggyback on the distribution channels of an overseas firm with a strong marketing network to penetrate into the overseas markets.

Global marketing has its advantages and limitations.

The advantages are that

- it enhances the market size and economies of scale
- influences companies to reduce head-on competition
- results in profit sharing.

The limitations are that

- seasonal changes affect the sales of the product
- high cost is incurred to customize products
- promotional activities are very difficult to cope with.

INTERNATIONAL TRADE

International trade increases the number of goods that domestic consumers can choose from, decreases the cost of these goods through increased competition, and also allows local enterprises to ship their products to an overseas market.

Trade barriers are hindrances to doing international business. Governments usually impose trade barriers to protect the domestic market from competition from outside.

The government can impose trade barriers to protect local domestic entrepreneurs and employment in the domestic market in the interest of the nation.

Trade barriers are usually of two types: tariff barriers to trade and non-tariff barriers to trade.

Tariff Barriers to Trade

A tariff is a tax on imported goods, which is collected by the domestic government and which raises the price of the good for the consumer.

Tariff is also known as import duties.

Tariffs are usually levied to limit imports and to raise revenue.

Tariffs are often created to protect infant industries, developing economies, domestic employment, consumers from using goods which are injurious to health and which can pollute the environment, and industries that are deemed strategically important such as defense and pharmaceuticals.

There are several types of tariff barriers to trade: specific tariffs, tariffs according to value (ad valorem tariff), licenses, import quotas, voluntary export restraints, and local content requirements.

Non-tariff Barriers to Trade

Non-tariff barriers (NTB) are trade barriers that restrict imports but are not in the usual form of a tariff. Some types of NTB to trade have the effects of tariffs once they are enacted.

NTB to trade are used after the WTO rules led to a very significant reduction in tariff use.

The six types of NTB to trade are:

Specific limitations on trade: Quotas, import licensing requirements, proportion restrictions of foreign to domestic goods, minimum import price limits, and embargoes.

Customs and administrative entry procedures: Valuation systems, antidumping practices, tariff classifications, documentation requirements, and fees.

Standards: Standard disparities, inter-governmental acceptances of testing methods and standards, packing, labelling, and marketing.

Government participation in trade: Government trade policies, export subsidies, countervailing duties, and domestic assistance programmes.

Charges on imports: Prior import deposit subsidies, administrative fees, special supplementary duties, import credit discriminations, variable levies, and border taxes.

Others: Voluntary export restraints and orderly marketing arrangements.

WORLD TRADE ORGANIZATION (WTO)

- The WTO is the largest and most influential international trade organization whose primary goal is to ensure the free flow of trade.
- The WTO's agreements represent trade rules and regulations and act as contracts guaranteeing countries' trade rights and binding government trade policies.
- The WTO is run by member governments, and its decisions are made either by the governments' trade ministers, who meet every two years, or by official representatives, who meet regularly at the organization's headquarters in Geneva, Switzerland. Routine issues are addressed by councils, committees, working parties, and negotiating groups.
- The WTO came into existence on 1 January 1995 as a successor of the General Agreements on Tariffs and Trade (GATT).

- The WTO is forever changing the way countries regulate international business on their own territory and beyond.
- The WTO is often described as a rule-based system.

Its main functions are:

- providing assistance to developing and transitional economies
- offering specialized help for export promotion through the international trade centre
- promoting regional trade agreement
- promoting cooperation in global economic policy-making
- reviewing members' trade policies
- engaging in routine notification when members introduce new trade measures or alter old ones.