UNIVERSITY GRANTS COMMISSION

COMMERCE **CODE: 08**

UNIT – 8: MARKETING MANAGEMENT

SYLLABUS

Sub Unit – 1: MARKETING

SL. NO	TOPICS
8.1.1	Concept and Approaches of Marketing
8.1.2	Marketing Channels
8.1.3	Marketing Mix
8.1.4	Strategic Marketing Planning
8.1.5	Market Segmentation
8.1.6	Targeting and Positioning

Sub Unit – 2: PRODUCT DECISIONS

SL. NO	TOPICS
8.2.1	Concept of Product
8.2.2	Product Line
8.2.3	Product Mix Decisions
8.2.4	Product Life Cycle
8.2.5	New Product Development

Sub Unit – 3: PRICING DECISIONS

SL. NO	TOPICS
8.3.1	Factors affecting Price Determination
8.3.2	Pricing Policies and Strategies

Sub Unit – 4: PROMOTION DECISIONS

SL. NO	TOPICS
8.4.1	Role of Promotion in Marketing
8.4.2	Promotion Methods: Advertising, Personal Selling, Publicity
8.4.3	Sales Promotion Tools and Techniques
8.4.4	Promotion Mix

Sub Unit – 5: DISTRIBUTION DECISIONS

SL. NO	TOPICS
8.5.1	Channels of Distribution
8.5.2	Channel Management

Sub Unit – 6: CONSUMER BEHAVIOUR

SL. NO	TOPICS
8.6.1	Consumer Buying Process
8.6.2	Factors influencing Consumer Buying Decisions

Sub Unit – 7: SERVICE MARKETING

Sub Unit – 8: TRENDS IN MARKETING

SL. NO	TOPICS
8.8.1	Social Marketing
8.8.2	Online Marketing
8.8.3	Green Marketing
8.8.4	Direct Marketing
8.8.5	Rural Marketing
8.8.6	Customer Relationship Management (CRM)

Sub Unit – 9: LOGISTIC MANAGEMENT

Section – 1: Units at a Glance

Sub Unit – 1: MARKETING

Concept and Approaches of Marketing: The marketing concept is the strategy that firms implement to satisfy customers' needs, increase sales, maximize profit and beat the competition. There are 5 marketing concepts that organizations adopt and execute. Marketing is a department of management that tries to design strategies that will build profitable relationships with target consumers.

The different Marketing Concepts are:

- Production Concept,
- Product Concept,
- Selling Concept,
- Marketing Concept,
- Societal Marketing Concept.

Marketing Channels: Marketing Channels can be defined as the set of people, activities, and the intermediary organizations that play a crucial role in transferring the ownership of the goods from the point of production or manufacturing to the point of consumption. Basically, they are the various channels or platforms through which the products reach to the consumers or the end-users. They are also known as the distribution channels.

Four Types of Marketing Channels:

- Manufacturer to Consumer
- Manufacturer to Retailer to Consumer
- Manufacturer to Wholesaler to Consumer
- Manufacturer to Agent to Wholesaler to Retailer to Consumer

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

Elements of Marketing Mix

- *Price*
- *Product*
- *Place*
- *Promotion*

Four C's of Marketing Mix: In the current scenario, the four C's has thus replaced the four P's of marketing making it a more customer oriented model. Koichi Shimizu in the year 1973 proposed a four C's classification.

- **Commodity -** (Replaces Products)
- **Cost -** (Replaces Price) involves manufacturing cost, buying cost and selling cost
- **Channel -** The various channels which help the product reach the target market.
- **Communication -** (Replaces Promotion)

Strategic Marketing Planning: Strategic Market Planning is an ongoing process through which the company creates marketing strategies and plans its implementations in the target market. The process taken into account the current position of the company helps in identifying the promotional opportunities & then evaluating these opportunities. Target market is identified through comprehensive research. The strategic market planning can be applicable to various marketing objectives like increasing market share, new product launch, market research etc.

Market Segmentation: Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.

Basis of Market Segmentation

- Gender
- Age Group
- Income
- Marital Status
- Occupation

Types of Market Segmentation

- Psychographic segmentation
- Behaviouralistic Segmentation
- Geographic Segmentation

Targeting and Positioning

Targeting: Targeting is a follow on process from segmentation, and is the process of actually determining the select markets and planning the advertising media used to make the segment appealing. Targeting is a changing environment. Traditional targeting practices of advertising through print and other media sources, has made way for a social media presence, leading a much more 'web-connected' focus.

Positioning: Positioning is the final stage in the 'STP' process and focuses on how the customer ultimately views your product or service in comparison to your competitors and is important in gaining a competitive advantage in the market Therefore, customer perceptions have a huge impact on the brands positioning in the market. There are three types of positioning that are key in positioning the brand to a competitive advantage; these are functional positioning, symbolic positioning, and experiential positioning.

Sub Unit – 2: PRODUCT DECISIONS

Concept of Product: Product refers to a good or service that satisfies the needs and wants of customers. It is offered in the market by an organization to earn revenue by meeting the requirements of customers. Product is an asset of an organization and referred as the backbone of marketing mix.

Product Line: The needs of customers vary according to their economic conditions and social situations. As customers grow economically, they require enhanced products that can satisfy their current needs. The organizations address the varied needs of customers by producing a same product at different levels. Each level adds some valuable features in a product. For example, mobile phones come with different features and functions to satisfy the varied needs of customers.

The different levels of a product are as follows:

- Core Product
- Expected Product
- Augmented Product
- Potential Product

Product Mix Decisions: The product mix is a combination of products manufactured or sold by the same organization. Generally companies offer an assortment of related or unrelated products to the markets instead of focusing on a single product to strengthen their presence in the market and increase profitability. Smaller or medium firms usually offer products that are related to each other while bigger ones go for large scale diversification.

Structure of Product Mix

- Width
- Depth
- Consistency

Product Life Cycle: The product life cycle is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market. The life cycle has four stages - introduction, growth, maturity and decline.

New Product Development: Product development, also called new product management, is a series of steps that includes the conceptualization, design, development and marketing of newly created or newly rebranded goods or services. The objective of product development is to cultivate, maintain and increase a company's market share by satisfying a consumer demand.

Sub Unit – 3: PRICING DECISIONS

Factors affecting Price Determination: Main factors affecting price determination of product are:

1. Product Cost
2. The Utility and Demand
3. Extent of Competition in the Market
4. Government and Legal Regulations
5. Pricing Objectives
6. Marketing Methods Used.

Some of the pricing policies and strategies

A. Price Variation Policies: Price variation policies are those where in the firm attempts to vary the prices of its products with a view to match them with the differing market needs. There can be three variations of such price variation policies.

These options open to the firm are:

(1) Variable price policy.

(2) Non-variable price policy and
(3) Single price policy.

Sub Unit – 4: PROMOTION DECISIONS

Role of Promotion in Marketing:
Increase Brand Awareness
Provide Information
Increase Customer Traffic
Build Sales and Profits:

Promotion Methods: Advertising, Personal Selling, Publicity

Advertising: Advertising takes up a significant portion of a company's budget allocated toward marketing and promotion. It includes the development and paid delivery of brand or product messages through media.

Personal Selling: While business typically engages in some level of advertising and public relations, the use of personal selling tactics varies considerably.

Publicity: Maintaining goodwill with the public is an important long-term strategy for both small and large companies. A variety of public relations tactics are used to reach out to customers through unpaid-for media messages. Press releases are one of the most common and routine PR tactics.

Sales Promotion Tools and Techniques: Sales promotion is an important tool of promotion which supplements personal selling and advertising efforts.

Sales promotion includes techniques like free samples, premium on sale, sales and dealer incentives, contests, fairs and exhibitions, public relations activities, etc. The basic purpose is to stimulate on the spot buying by prospective customers through short-term incentives.

Sales Promotion Tools and Programmes:

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

These tools and programmes are divided under two heads:

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

Promotion Mix: It refers to all the decisions related to promotion of sales of products and services. Following are the tools or elements of promotion. They are also called elements of promotion mix:

1. Advertising
2. Sales promotion
3. Personal selling
4. Public relation

Sub Unit – 5: DISTRIBUTION DECISIONS

Channels of Distribution: A distribution channel (also called a *marketing channel*) is the path or route decided by the company to deliver its good or service to the customers. The route can be as short as a direct interaction between the company and the customer or can include several interconnected intermediaries like wholesalers, distributors, retailers, etc.

Types of Distribution Channels: Channels of distribution can be divided into the direct channel and the indirect channels. Indirect channels can further be divided into one-level, two-level, and three-level channels based on the number of intermediaries between manufacturers and customers.

Channel Management: The term Channel Management is widely used in sales marketing parlance. It is defined as a process where the company develops various marketing techniques as well as sales strategies to reach the widest possible customer base.

The 5 components of a Channel Management Strategy: The components are:

- True alignment to corporate and sales strategy.
- Defined partner selection process.
- Adherence to a channel governance process.
- Partner focused recruitment package.
- Comprehensive channel enablement content.

Sub Unit – 6: CONSUMER BEHAVIOUR

Consumer Buying Process: The steps involved in consumer buying process are stated below:

- Problem Recognition
- Information Search
- Evaluation of Alternatives
- Purchase Decision
- Purchase
- Post-Purchase Evaluation

Factors influencing Consumer Buying Decisions

- Economic Factor
- Functional Factor
- Marketing Mix Factors
- Personal Factors
- Psychological Factor
- Social Factors
- Cultural Factors

Sub Unit – 7: SERVICE MARKETING

Definition of Service Marketing: Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately.

Problems in Marketing Services:

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

Sub Unit – 8: TRENDS IN MARKETING

Social Marketing: Social marketing is the systematic application of marketing along with other concepts and techniques to achieve specific behavioural goals for a social good. For example, this may include asking people not to smoke in public areas, asking them to use seat belts or prompting to make them follow speed limits.

Online Marketing: Cyber marketing is one of the options for direct marketing. It is also known as online marketing, e (electronic)-marketing, e-commerce, Internet marketing, or, simply, Net marketing. Cyber marketing is the latest marketing development.

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

Direct Marketing: The Direct Marketing Association defines the term as: “Direct Marketing is an interactive marketing system that uses one or more advertising media to effect measurable response and/ or transaction at any location.”

Rural Marketing: Rural Marketing: In more specific words: Rural marketing is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

Customer Relationship Management (CRM): According to Philip Kotler and Gary Armstrong, ‘CRM is concerned with managing detailed information about individual customers and all customer “touch points” to maximize customer loyalty. It can also be defined as, ‘an alignment of strategy, processes and technology to manage customers, and all customer-facing departments and partners'. In short, CRM is about effectively and profitably managing customer relationships through the entire life cycle.

Sub Unit – 9: LOGISTIC MANAGEMENT

Concept of Logistics Management: Logistics management consists of the process of planning, implementing and controlling the efficient flow of raw-materials, work-in-progress and finished goods and related information-from point of origin to point of consumption; with a view to providing satisfaction to the customer.

Classification of Logistical Activities: Logistics (or Logistical Activities) may be broadly classified into two categories:

- **Inbound logistics;** which is concerned with the smooth and cost effective inflow of materials and other inputs (that are needed in the manufacturing process) from suppliers to the plant.
- **Outbound logistics** (also called physical distribution management or supply chain management); is concerned with the flow of finished goods and other related information from the firm to the customer.

Section – 2: Key Statements

Every candidates appearing for NET/SET examination should follow these key (main) points those can help them a better understanding regarding this unit very quickly.

Basic Key Statements: Marketing (8.1.1), Societal Marketing Concept (8.1.1), Marketing Channels (8.1.2), Retailer (8.1.2), Wholesaler (8.1.2), Marketing Mix (8.1.3), Strategic Marketing Planning (8.1.4), Market Segmentation (8.1.5), Positioning (8.1.6), Concept of Product (8.2.1), Product Line (8.2.2), Product Mix Decisions (8.2.3), Product Life Cycle (8.2.4), New Product Development (8.2.5), Test Marketing (8.2.5), Advertising (8.4.2), Personal Selling (8.4.2), Publicity (8.4.2), Promotion Mix (8.4.4), Channels of Distribution (8.5.1), Consumer Buying Process (8.6.1), Service Marketing (8.7), Social Marketing (8.8.1), Online Marketing (8.8.2), Green Marketing (8.8.3), Direct Marketing (8.8.4), Rural Marketing (8.8.5), Customer Relationship Management (8.8.6), Logistics Management (8.9).

Standard Key Statements: Segment the market (8.1.4), Geographic Segmentation (8.1.5), Product Line (8.2.3), Product Item (8.2.3), Idea Generation (8.2.5), Idea Screening (8.2.5), Variable price policy (8.3.2), Single price policy (8.3.2), Discount Coupons (8.4.3), Packaged Premium (8.4.3).

Advanced Key Statements: Pricing strategy (8.1.2), Concept Development (8.2.5), Point of Origin Price Policy (8.3.2), Freight Absorption Price Policy (8.3.2), Leader Price Policy (8.3.2), Skimming Price Policy (8.3.2), Penetration Price Policy (8.3.2), Direct Channel or Zero-level Channel (8.5.1), Dual Distribution (8.5.1), One-to-one Marketing (8.8.6).

[N.B. – Values in parenthesis are the reference number]

Section – 3: Key Facts and Figures

Sub Unit - 1:

MARKETING

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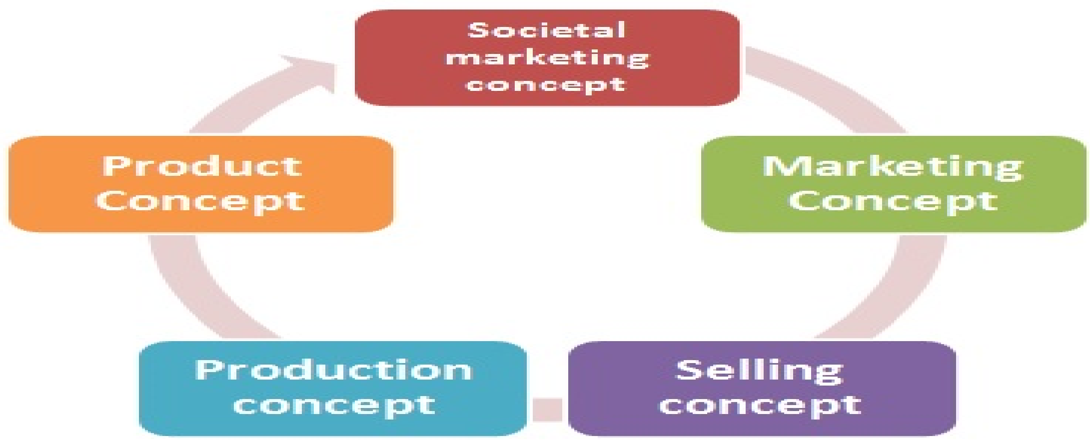


These concepts are described below:

Production Concept: The idea of production concept – "Consumers will favor products that are available and highly affordable". This concept is one of the oldest Marketing management orientations that guide sellers. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective.

Most times; the **production concept can lead to marketing myopia**. Management focuses on improving production and distribution efficiency.

Although; in some situations; the production concept is still a useful philosophy.

Product Concept: The product concept holds that the consumers will favor products that offer the most in quality, performance and innovative features. Here; under this concept, marketing strategies are focused on making continuous product improvements. Product quality and improvement are important parts of marketing strategies, sometimes the only part. Targeting only on the company's products could also lead to marketing myopia.

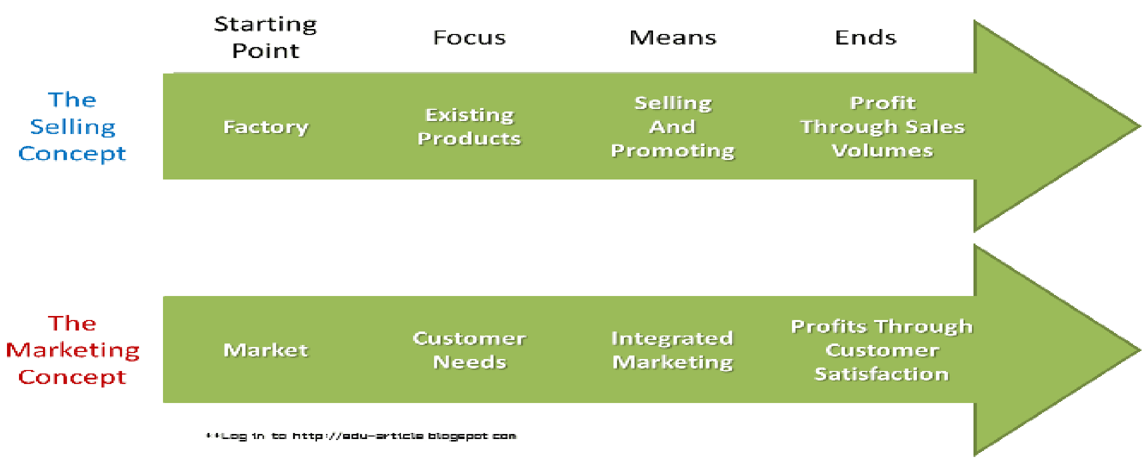
Selling Concept: The selling concept holds the idea- "consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort". Here the management focuses on creating sales transactions rather than on building long-term, profitable customer relationships. In other words; the aim is to sell what the company makes rather than making what the market wants. Such an aggressive selling program carries very high risks.

In selling concept the marketer assumes that customers will be coaxed into buying the product will like it, if they don't like it, they will possibly forget their disappointment and buy it again later. This is usually a very poor and costly assumption. Typically the selling concept is practiced with unsought goods. Unsought goods are that buyers do not normally think of buying, such as insurance or blood donations. These industries must be good at tracking down prospects and selling them on a product's benefits.

Marketing Concept: The marketing concept holds- "achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do".

Here marketing management takes a "customer first" approach. Under the marketing concept, customer focus and value are the routes to achieve sales and profits. The marketing concept is a customer-centered "sense and responds" philosophy. The job is not to find the right customers for your product but to find the right products for your customers. The marketing concept and the selling concepts are two extreme concepts and totally different from each other.

Difference between Selling Concept and Marketing Concept



No.	The Selling Concept	The Marketing Concept
1	undertakes a large-scale selling and promotion effort	undertakes activities such as; market research,
2	The Selling Concept is suitable with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.	The Marketing Concept is suitable for almost any type of product and market.
3	Focus on the selling concept starts at the production level.	Focus on the marketing concept starts at understanding the market.
4	Any company following selling concept undertakes a high-risk	Companies that are following the marketing concept require to bare less risk and uncertainty.
5	The Selling Concept assumes – "customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later."	Instead of making an assumption, The marketing concept finds out what really the consumer requires and acts accordingly to them.
6	The Selling Concept makes poor assumptions.	The marketing concept works on facts gathered by its "market and customer first" approach.

Societal Marketing Concept:

Societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. The societal marketing concept holds "marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being".

It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The Societal Marketing Concept puts Human welfare on top before profits and satisfying the wants.

8.1.2 Marketing Channels: Marketing Channels can be defined as the set of people, activities, and the intermediary organizations that play a crucial role in transferring the ownership of the goods from the point of production or manufacturing to the point of consumption. Basically, they are the various channels or platforms through which the products reach to the consumers or the end-users. They are also known as the distribution channels.

Four Types of Marketing Channels:

- **Manufacturer to Consumer:** This is one of the most simple and effortless types of the Marketing Channels as the goods produced reach to the consumers directly from the house of manufacturer. It works as cost-effective and profitable for both the parties involved as there is no further involvement of the middlemen such as retailer, wholesalers, and agents that charge their commission increasing the overall price of the products.
- **Manufacturer to Retailer to Consumer:** This type of Marketing Channels is one of the highly adopted and preferred channels in the industry. The manufacturers who specialize in the manufacturing of the shopping goods such as shoes, furniture, and fashion apparels amongst others opt for this Marketing Channel.
- **Manufacturer to Wholesaler to Consumer:** This category of Marketing Channel is usually adopted by the consumers who are looking out for bulk purchases of the specific items and procuring the same from the wholesaler works out quite easy and cost effective for them owing to the economies of scale factor plus no involvement of other intermediaries. The wholesaler reduces the cost to the consumer such as service cost or sales force cost making the items available to the consumer at cheaper rates.
- **Manufacturer to Agent to Wholesaler to Retailer to Consumer:** This type of Marketing Channel involves more than one middlemen or intermediary making the goods reach to the consumers. The agents or the middlemen helps and assists with the sale of the goods and charge their commission from the manufacturer. They are quite helpful when the goods need to reach the consumers in a short span of time.

Importance of Marketing Channels

- **Information provider:** The first and foremost aspect in the list of the importance of the Marketing Channels is that the middlemen such as agents provide the vital and crucial market information to the manufacturer that helps him to plan his production and other related business strategies accordingly. Developments in the market such as the change in the preferences in the taste of the consumer, entry of new manufactures in the market, shift in the government policies, and the various pricing points of the other manufacturers are given to the manufacturer without any additional cost owing to their relationship and working association with the manufacturer.
- **Stability of the price:** Yet another important function that is performed by the middlemen is that they maintain the stability of price by absorbing the increment along with keeping the overheads cost low and charge the consumers with the old price of the products. Their main motive behind this strategy is to have a strong foothold in the market due to the completion from the other middlemen in the market.
- **Promotion:** Another aspect in the importance of Marketing Channels is that the middlemen perform the function of promoting the goods of the manufacturer by planning and designing their own sales incentive and customer loyalty programs to attain their sales targets and increased market share objectives. This ultimately works for the benefit of the manufacturer and all the parties involved in the process.
- **Pricing strategy:** As the middlemen and the agents are at the sales field on a daily basis and have a thorough knowledge about the marketing dynamics and the customer preferences, many manufacturers ask for their suggestion whilst deciding on the pricing of the various products. The pricing and the features of the products are also customized for the different set of target markets and consumers along with the channel of distribution.
- **Matching the demand and supply of the products:** The main and significant function of the middlemen and commission agents in the Marketing Channels is to match the demand and supply of the products in the target market. They should provide the manufacturers with the crucial information on how to assemble the goods to match the taste and preferences of the targeted consumers that result in the ease of sales and attainment of the sales objectives of the manufacturer.

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

Elements of Marketing Mix

- ***Price:*** It refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.
- ***Product:*** It refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.
- ***Place:*** It refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.
- ***Promotion:*** This refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

Lately three more P's have been added to the marketing mix. They are as follows:

- **People -** The individuals involved in the sale and purchase of products or services come under people.
- **Process -** Process includes the various mechanisms and procedures which help the product to finally reach its target market
- **Physical Evidence -** With the help of physical evidence, a marketer tries to communicate the USP's and benefits of a product to the end users

Importance of Marketing Mix: All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Four C's of Marketing Mix: In the current scenario, the four C's has thus replaced the four P's of marketing making it a more customer oriented model. Koichi Shimizu in the year 1973 proposed a four C's classification.

- **Commodity -** (Replaces Products)
- **Cost -** (Replaces Price) involves manufacturing cost, buying cost and selling cost
- **Channel -** The various channels which help the product reach the target market.

Developing the Strategic Marketing Plan: The strategic marketing plan process typically has three stages:

1. Segment the market
    - Geographic
    - Demographic
    - Psychographic
    - Behavior
2. Profile the market segments
    - Revenue potential
    - Market share potential
    - Profitability potential
3. Develop a market segment marketing strategy
    - Market leader or product line extension
    - Mass marketing or targeted marketing
    - Direct or indirect sales

After analyzing market segments, customer interests, and the purchase process, it's time to create the strategic marketing plan. The strategic marketing plan document usually includes:

- Situational Analysis - Where is the company now?
    a. Market Characteristics
    b. Key Success Factors
    c. Competition and Product Comparisons
    d. Technology Considerations
    e. Legal Environment
    f. Social Environment
    g. Problems and Opportunities
- Marketing Objectives - Where does management want the company to go?
    a. Product Profile
    b. Target Market
    c. Target Volume in Dollars and/or Units
- Marketing Strategies - What should the company do to achieve its objectives?
    a. Product Strategy
    b. Pricing Strategy
    c. Promotion Strategy
    d. Distribution Strategy
    e. Marketing Strategy Projection

How to Use a Strategic Marketing Plan: Once a company's executive team has approved the strategic marketing plan it's time to take the next step -- create the tactical marketing programs and projects needed to implement the plan.

These tactical programs usually include:

- Product Development Plan
- Marketing Communications Plan
- Sales Development Plan
- Customer Service Plan

Benefiting from a Strategic Marketing Plan: The top-down process of developing a strategic marketing plan helps insure that all tactical marketing programs support the company's goals and objectives, as well as convey a consistent message to customers.

This approach improves company efficiency in all areas, which helps improve revenue and market share growth, and minimizes expenses -- all of which lead to higher profitability.

- **Communication -** (Replaces Promotion)

8.1.4 Strategic Marketing Planning: Strategic Market Planning is an ongoing process through which the company creates marketing strategies and plans its implementations in the target market. The process taken into account the current position of the company helps in identifying the promotional opportunities & then evaluating these opportunities. Target market is identified through comprehensive research. The strategic market planning can be applicable to various marketing objectives like increasing market share, new product launch, market research etc.

8.1.5 Market Segmentation: Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.

- A market segment is a small unit within a large market comprising of like minded individuals.
- One market segment is totally distinct from the other segment.
- A market segment comprises of individuals who think on the same lines and have similar interests.
- The individuals from the same segment respond in a similar way to the fluctuations in the market.

Basis of Market Segmentation

- **Gender:** The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation. Organizations need to have different marketing strategies for men which would obviously not work in case of females. A woman would not purchase a product meant for males and vice a versa. The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.
- **Age Group:** Division on the basis of age group of the target audience is also one of the ways of market segmentation.
- **Income:** Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

- **Marital Status:** Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.
- **Occupation:** Office goers would have different needs as compared to school / college students.

Types of Market Segmentation

- **Psychographic segmentation**: The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.
- **Behaviouralistic Segmentation**: The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.
- **Geographic Segmentation**: Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.

  Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.

  McDonald's in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald's in US freely sells and promotes beef products.

Need for Market Segmentation (Why Market Segmentation?)

- Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment. A male model would look out of place in an advertisement promoting female products. The marketers must be able to relate their products to the target segments.
- Market segmentation helps the marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focussed approach as a result of market segmentation.
- Market segmentation also gives the customers a clear view of what to buy and what not to buy. A Rado or Omega watch would have no takers amongst the lower income group as they cater to the premium segment. College students seldom go to a Zodiac or Van Heusen store as the merchandise offered by these stores are meant mostly for the professionals. Individuals from the lower income group never use a Blackberry. In simpler words, the segmentation process goes a long way in influencing the buying decision of the consumers.

  An individual with low income would obviously prefer a Nano or Alto instead of Mercedes or BMW.

- Market segmentation helps the organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places which have defined winter and summer seasons.
- Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.

8.1.6 Targeting and Positioning

Targeting: Targeting is a follow on process from segmentation, and is the process of actually determining the select markets and planning the advertising media used to make the segment appealing. Targeting is a changing environment. Traditional targeting practices of advertising through print and other media sources, has made way for a social media presence, leading a much more 'web-connected' focus. Behavioural targeting is a product of this change, and focuses on the optimization of online advertising and data collection to send a message to potential segments. This process is based around the collection of 'cookies', small pieces of information collected by a consumer's browser and sold to businesses to identify potential segments to appeal to. For example, someone consistently accessing photography based searches is likely to have advertisements for camera sales appear, due to the cookie information they deliver showing an interest in this area. Whilst targeting a market, there are three different market coverage choices to consider – undifferentiated, differentiated and niche marketing. Choosing which targeting choice to pursue depends on the product or service being offered. Undifferentiated marketing is the best option to focus on the market as a whole and to promote products that have a wide target segment, whilst differentiated and niche marketing are more specialized and focus on smaller, more selective segments.

Positioning: Positioning is the final stage in the 'STP' process and focuses on how the customer ultimately views your product or service in comparison to your competitors and is important in gaining a competitive advantage in the market Therefore, customer perceptions have a huge impact on the brands positioning in the market. There are three types of positioning that are key in positioning the brand to a competitive advantage; these are functional positioning, symbolic positioning, and experiential positioning. Functional Positioning is focused on the aspects of the products or services that can fulfill consumers' needs or desires. Symbolic Positioning is based on the characteristics of the brand that fulfill customers' self-esteem. Experiential positioning is based around the characteristics of the brands that stimulate the sensory or emotional connection with the customers. A combination of the three is key to positioning the brand at a competitive advantage to its immediate competition. Overall, positioning should provide better value than competitors and communicate this differentiation in an effective way to the consumer.

Previous Year Question

June 2015 (Paper - III)

1. Target marketing involves which of the following activities?

a) Market positioning c) Market behaviour

b) Market targeting d) Market segmentation

Code:

1) a and b

2) b and d

3) a, b and, d

4) b, c, and d

2. Horizontal marketing system comprises of:

1) The producer, wholesaler and retailer acting in a unified system.

2) Multichannel marketing.

3) Two or more marketing channels to reach one or more customer segments.

4) Two or more unrelated companies put together resources to exploit an emerging market.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	27	3	8.1
2.	29	4	8.1

July 2016 (Paper - III)

1. Which of the following positioning strategies is adopted by marketers to position their product in two categories simultaneously ?
(1) Point of Difference
(2) Point of Parity
(3) Straddle Positioning
(4) Emotional Positioning

2. Name the process in which a buyer posts its interest in buying a certain quantity of item and sellers compete for the business by submitting lower bid until there is only one seller left.
(1) Internet
(2) Reverse auction
(3) B2B market place
(4) B2C market place

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	50	3	8.1.6
2.	53	2	8.1

Sept. 2016 (Paper - III)

1. Straddle positioning uses :
(a) Point of parity
(b) Point of difference
Codes :
(1) (a) only
(2) (b) only
(3) Both (a) and (b)
(4) Neither (a) nor (b)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	50	3	8.1.6

July 2016 (Paper - II)

1. Which one of the following is the most likely result of a marketing strategy that attempts to serve all potential customers ?
(1) All customers will be delighted.
(2) Customer-perceived value will be increased.
(3) The company will need to follow up with a demarketing campaign.
(4) Not all customers will be satisfied.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	27	4	8.1

Sept. 2016 (Paper - II)

1. Your firm is attempting to divide up the total market to determine the best segments it can serve. Which is the correct order of doing so ?
(1) market segmentation, target marketing, market positioning
(2) target marketing, market positioning, market segmentation
(3) market positioning, market segmentation, target marketing
(4) mass marketing, demographic segmentation, psychographic segmentation

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	27	1	8.1.5

Jan. -2017 (Paper - II)

1. The marketing task which finds ways to alter the time pattern of demand through flexible pricing, promotion and other incentives is called
(1) Demarketing
(2) Synchromarketing
(3) Fleximarketing
(4) Gorilla Marketing

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	27	2	8.1

Nov.- 2017 (Paper - III)

1. Match the items of **List - I** with items of **List - II** and select the correct code of matching :

List - I	**List - II**
(a) Market Leader	(i) Avoid hostile attacks on rivals
(b) Market Challenger	(ii) Attack the market leader
(c) Market Follower	(iii) Provide high level of specialisation
(d) Market Nicher	(iv) Attack the market

Code :	(a)	(b)	(c)	(d)
(1)	(iv)	(ii)	(i)	(iii)
(2)	(ii)	(iv)	(iii)	(i)
(3)	(iii)	(i)	(iv)	(ii)
(4)	(i)	(iii)	(iv)	(ii)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	49	1	8.1

July- 2018 (Paper-II)

1. When a company treats each single customer as a separate segment, this is called:
(1) Niche Marketing
(2) Nano Marketing
(3) Single Marketing
(4) Micro Marketing

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	38	4	8.1.5

Sub Unit - 2:

PRODUCT DECISIONS

……………………………………………………………………………………………..

8.2.1 Concept of Product: Product refers to a good or service that satisfies the needs and wants of customers. It is offered in the market by an organization to earn revenue by meeting the requirements of customers. Product is an asset of an organization and referred as the backbone of marketing mix.

According to Peter Drucker, "Suppliers and especially manufacturers have market power because they have information about a product or a service that the customer does not and cannot have, and does not need if he can trust the brand. This explains the profitability of brands."

It is very important for an organization to understand the needs of customers. For example, some customers use mobile phones for talking; whereas, some use mobile phones for talking as well as business purposes, such as teleconferencing. Needs of the customers depend on their purchasing power.

Features of a Product

- *Tangibility:* Products are tangible in nature, customers can touch, seen or feel a products. For example, car, book, computer etc.
- *Intangible Attributes:* Service products are intangible in nature, services like, consultancy, banking, insurance etc. The product may be combination of both tangible and intangible attributes like restaurants, transportation, in case of a computer it is a tangible product, but when we will talk of its free service provided by dealer, then the product is not only a tangible item but also an intangible one.
- *Associated Attributes:* The attributes associated with product may be, brand, packaging, warranty, guarantee, after sales services etc.
- *Exchange Value:* Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.
- *Exchange Value:* Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.
- *Customer Satisfaction:* A product satisfies the customer needs and wants of customers, value of products is also determined by the level of satisfaction given by a product after purchase.

Characteristics of a Product

1. It can be a single commodity or a service; a group of commodities or a group of services; a product service combination, or even a combination of several products and services.
2. Its meaning is determined by the needs and desires of the consumer. The purpose of a product is to satisfy some need of the consumers. The buyers purchase problem-solving and time for creativity when they purchase a computer system.
3. It may be durable such as those that are expected to deliver a stream of satisfaction over a period of time,
4. Products may be luxuries which might be needed as a symbol of prestige and status such as car, a well- furnished bungalow in a posh colony or necessities which are needed to keep the body and soul together, such as bread, milk, sugar, etc.
5. It may be an agricultural, mineral, forest or semi-manufactured or manufactured product.

Product Hierarchy

- **Need-Family:** It is a core need that underlies the existence of a product family. These products satisfy a core need of the group of people or of an individual. They are called products from the "Need Family". Eg. Hunger is core need which is satisfied by food.
- **Product-Family:** These consist of all the product classes that can satisfy a core need with reasonable effectiveness. It comprises of varieties of product within this group, which compete with one another to satisfy the same need. These are 'family of products satisfying the same need'. Eg. Fast foods, Snacks, Veg. Thali, etc.
- **Product Class:** It is a group of products within the product family recognized as having a certain functional coherence. A group of products, within this family of products, having similar characteristics are labelled as product class or product category. Eg. Fast Foods.
- **Product Line:** It is a group of products within a product class which are closely related to each other since they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within the given price ranges. A product line may consist of different brands, or a single family brand, or individual brand that has been line extended. Eg. Burgers, Pizzas, etc.
- **Product Type:** It is a group of items within a product line that encompasses one of several possible forms of the product. Eg. Chicken burger.
- **Item (Stock Keeping Unit or Product Variant):** It is a distinct unit within a brand or product line which is distinguishable by size, shape, price, appearance, or some other attribute. Eg. Burger King's Jumbo Chicken burger.

8.2.2 Product Line: The needs of customers vary according to their economic conditions and social situations. As customers grow economically, they require enhanced products that can satisfy their current needs. The organizations address the varied needs of customers by producing a same product at different levels. Each level adds some valuable features in a product. For example, mobile phones come with different features and functions to satisfy the varied needs of customers.

The different levels of a product are as follows:

- **Core Product:** It includes the key feature of a product. It forms the basis for other product offering levels. For example, the key feature of a car is to travel from one place to another. Therefore, a simple and small car with no additional features is a core product.
- **Basic Product:** It includes some added benefits along with the basic feature of a product. For example, a clean and spacious car is the basic product.
- **Expected Product:** It refers to a product that is desired by customers. It varies from individual to individual depending on other factors, such as social class. For example, a customer buying a car may expect an air conditioner and music system in it.
- **Augmented Product:** It includes additional attributes of a product as compared to products offered by competitors. The additional benefits satisfy rational customers more in terms of value. For example, a car may have special in-built features, such as LCD TV or refrigerator.
- **Potential Product:** It compares the benefit derived from the product in future with the current product. It creates a value for customers beyond their expectations. For example, a high technology gadget car with good ambience and comfort is a potential product.

8.2.3 Product Mix Decisions: The product mix is a combination of products manufactured or sold by the same organization. Generally companies offer an assortment of related or unrelated products to the markets instead of focusing on a single product to strengthen their presence in the market and increase profitability. Smaller or medium firms usually offer products that are related to each other while bigger ones go for large scale diversification.

For example- Ayur Herbals, a comparatively smaller enterprise basically deals with cosmetics and beauty products while giants like Reliance group and Tata industries have their presence in varied fields like telecom, processed food, consumer goods, etc. Dealing with multiple products enables a firm to expand its customer base and spread risk among its various offerings. The product mix includes both product lines and product items.

- **Product Line:** Product line is a group of products that are closely related either because they satisfy a class of need, or used together, are sold to the same customer group, are marketed through the same types of outlets, or fall within given price ranges or that are considered a unit because of marketing, technical, or end-use considerations. For example, The Sunsilk range of shampoos and conditioners constitute a product line.
- **Product Item:** It is a distinct unit within the product line that is separate from others on basis of colour, size, price or other attributes. For example, Sunsilk Thick and Long shampoo is a product unit distinguishable from other items in the product range.

Structure of Product Mix

- **Width:** Width of the product mix means the number of different product lines found within the company. Thus, breadth is measured by the number of product lines carried. For example, Bajaj group has a number of subsidiaries under it producing bulbs, fluorescent lights, mixers and grinders, toasters, motorcycles, pressure cookers and a host of other products.
- **Depth:** Depth of the product mix refers to the average number of items offered by the company within each product line. It is measured by assortment of sizes, colours, models, prices and quality offered within each product line. For instance, Hindustan Unilever offers a number of variants like Lux Fresh Splash, Strawberry and cream, Peach and cream, Sandal and cream, etc. within the product line Lux soaps.
- **Consistency:** The consistency of product mix points out how closely related the various product lines are in terms of consumer behaviour, production requirements, distribution channels or in some other way. For example, the products produced by the General Electric Company have an overall consistency in that most products involve electricity in one way or the other.

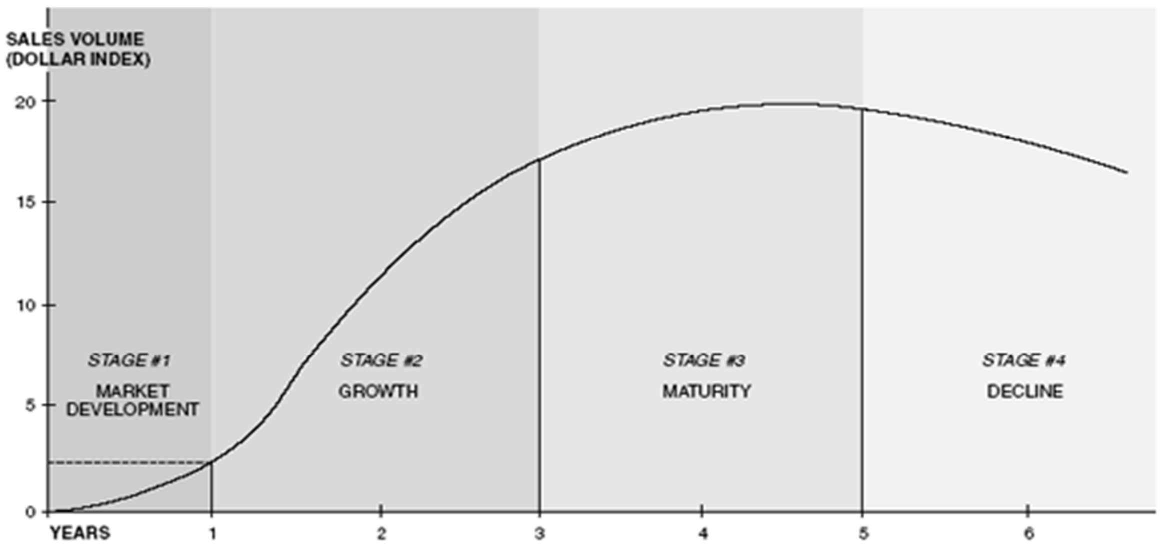
According to Kotler, all three dimensions of product mix have a market rationale. By increasing the width of the product mix the company hopes to capitalise on its good reputation and skills in present markets.

By increasing the depth of its product mix, the company hopes to entice the patronage of buyers of widely differing tastes and needs. By increasing the consistency of its product mix, the company hopes to acquire an unparalleled reputation in a particular area of endeavour.

8.2.4 Product Life Cycle: The **product life cycle** is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market. The **life cycle** has four stages - introduction, growth, maturity and decline.

Historical Pattern of Product Life Cycle: The life story of most successful products is a history of their passing through certain recognizable stages. These are shown in Exhibit I and occur in the following order:

EXHIBIT I
Product Life Cycle—Entire Industry



- *Stage 1. Market Development:* This is when a new product is first brought to market, before there is a proved demand for it, and often before it has been fully proved out technically in all respects. Sales are low and creep along slowly.
- *Stage 2. Market Growth:* Demand begins to accelerate and the size of the total market expands rapidly. It might also be called the "Takeoff Stage."
- *Stage 3. Market Maturity:* Demand levels off and grows, for the most part, only at the replacement and new family-formation rate.
- *Stage 4. Market Decline:* The product begins to lose consumer appeal and sales drift downward, such as when buggy whips lost out with the advent of automobiles and when silk lost out to nylon.

Three operating questions will quickly occur to the alert executive:

- Given a proposed new product or service, how and to what extent can the shape and duration of each stage be predicted?
- Given an existing product, how can one determine what stage it is in?
- Given all this knowledge, how can it be effectively used?

A brief further elaboration of each stage will be useful before dealing with these questions in detail.

- **Development Stage:** Bringing a new product to market is fraught with unknowns, uncertainties, and frequently unknowable risks. Generally, demand has to be "created" during the product's initial *market development stage*. How long this takes depends on the product's complexity, its degree of newness, its fit into consumer needs, and the presence of competitive substitutes of one form or another.

- **Growth Stage:** The usual characteristic of a successful new product is a gradual rise in its sales curve during the market development stage. At some point in this rise a marked increase in consumer demand occurs and sales take off. The boom is on. This is the beginning of Stage 2—the *market growth stage*. At this point potential competitors who have been watching developments during Stage I jump into the fray. The first ones to get in are generally those with an exceptionally effective "used apple policy." Some enter the market with carbon-copies of the originator's product. Others make functional and design improvements. And at this point product and brand differentiation begin to develop.
- **Maturity Stage:** This new stage is the *market maturity stage*. The first sign of its advent is evidence of market saturation. This means that most consumer companies or households that are sales prospects will be owning or using the product. Sales now grow about on a par with population. No more distribution pipelines need be filled. Price competition now becomes intense. Competitive attempts to achieve and hold brand preference now involve making finer and finer differentiations in the product, in customer services, and in the promotional practices and claims made for the product. The market maturity stage typically calls for a new kind of emphasis on competing more effectively.
- **Decline Stage:** When market maturity tapers off and consequently comes to an end, the product enters Stage 4—*market decline*. In all cases of maturity and decline, the industry is transformed. Few companies are able to weather the competitive storm. As demand declines, the overcapacity that was already apparent during the period of maturity now becomes endemic. Some producers see the handwriting implacably on the wall but feel that with proper management and cunning they will be one of the survivors after the industry-wide deluge they so clearly foresee. To hasten their competitors' eclipse directly, or to frighten them into early voluntary withdrawal from the industry, they initiate a variety of aggressively depressive tactics, propose mergers or buy-outs, and generally engage in activities that make life thanklessly burdensome for all firms, and make death the inevitable consequence for most of them.

8.2.5 New Product Development: Product development, also called new product management, is a series of steps that includes the conceptualization, design, development and marketing of newly created or newly rebranded goods or services. The objective of product development is to cultivate, maintain and increase a company's market share by satisfying a consumer demand. Not every product will appeal to every customer or client base, so defining the target market for a product is a critical component that must take place early in the product development process. Quantitative market research should be conducted at all phases of the design process, including before the product or service is conceived, while the product is being designed and after the product has been launched.

Stages of new product development

Idea generation
↓
Idea screening
↓
Concept development and Testing
↓
Marketing strategy development
↓
Business analysis
↓
Product development
↓
Test marketing
↓
Commercialisation

- **Idea generation – The New Product Development Process:** The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:
  - Internal idea sources: the company finds new ideas internally. That means R&D, but also contributions from employees.
  - External idea sources: the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.
- **Idea screening – The New Product Development Process:** The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs rise greatly in later stages. Therefore, the company would like to go ahead only with those product

ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

- **Concept Development and Testing – The New Product Development Process:** To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms.

  Let's investigate the two parts of this stage in more detail.

  Concept development: Imagine a car manufacturer that has developed an all-electric car. The idea has passed the idea screening and must now be developed into a concept. The marketer's task is to develop this new product into alternative product concepts. Then, the company can find out how attractive each concept is to customers and choose the best one.

  Concept testing: New product concepts, such as those given above, need to be tested with groups of target consumers. The concepts can be presented to consumers either symbolically or physically. The question is always: does the particular concept have strong consumer appeal? For some concept tests, a word or picture description might be sufficient. However, to increase the reliability of the test, a more concrete and physical presentation of the product concept may be needed. After exposing the concept to the group of target consumers, they will be asked to answer questions in order to find out the consumer appeal and customer value of each concept.

- **Marketing strategy development – The New Product Development Process:** The next step in the new product development process is the marketing strategy development. When a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

The marketing strategy statement consists of three parts and should be formulated carefully:

- A description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years
- An outline of the product's planned price, distribution and marketing budget for the first year
- The planned long-term sales, profit goals and the marketing mix strategy.

- **Business analysis – The New Product Development Process:** Once decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage.

  In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys. Then, it should be able to estimate minimum and maximum sales to assess the range of risk. When the sales forecast is prepared, the firm can estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyze the new product's financial attractiveness.

- **Product development – The New Product Development Process**
  The new product development process goes on with the actual product development. Up to this point, for many new product concepts, there may exist only a word description, a drawing or perhaps a rough prototype. But if the product concept passes the business test, it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. The problem is, though, that at this stage, R&D and engineering costs cause a huge jump in investment.
  The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype, however, can take days, weeks, months or even years, depending on the product and prototype methods. Also, products often undergo tests to make sure they perform safely and effectively. This can be done by the firm itself or outsourced. In many cases, marketers involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.
- **Test marketing – The New Product Development Process:** The last stage before commercialization in the new product development process is test marketing. In this stage of the new product development process, the product and its proposed marketing programme are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made.
  The amount of test marketing necessary varies with each new product. Especially when introducing a new product requiring a large investment, when the risks are high, or when the firm is not sure of the product or its marketing programme, a lot of test marketing may be carried out.
- **Commercialisation:** Test marketing has given management the information needed to make the final decision: launch or do not launch the new product. The final stage in the new product development process is commercialisation. Commercialisation means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

Some factors should be considered before the product is commercialized:

- Introduction timing. For instance, if the economy is down, it might be wise to wait until the following year to launch the product. However, if competitors are ready to introduce their own products, the company should push to introduce the new product sooner.
- Introduction place. Where to launch the new product? Should it be launched in a single location, a region, the national market, or the international market? Normally, companies don't have the confidence, capital and capacity to launch new products into full national or international distribution from the start. Instead, they usually develop a planned market rollout over time.

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

Previous Year Question

June 2015 (Paper - III)

1. Which one of the following is not a strategy in the product life cycle?
1) Introduction
2) Growth
3) Equilibrium
4) Decline

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	59	3	8.2.4

Dec. 2015 (Paper - II)

1. When the consumers favour those products which offer the most quality, performance or innovative features, then it is called as:

(1) Production Concept

(2) Product Concept

(3) Sales Concept

(4) Marketing Concept

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	29	2	8.2.1

July 2016 (Paper - III)

1. Which of the following marketing strategies is/are not used in 'growth stage' of the product life cycle ?
(1) Improving quality and adding new features.
(2) Adding new models of product.
(3) Entering new market segments.
(4) Using awareness and trial communications.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	22	4	8.2.4

Sept. 2016 (Paper - III)

1. In the 'decline stage' of the 'Product Life Cycle' sales decrease due to
(a) technological advances
(b) shift in consumer tastes
(c) increased domestic and foreign competition
Codes :
(1) (a) only
(2) (b) only
(3) (a) and (c)
(4) (a), (b) and (c)

2. Which one of the following denotes performance quality of a product ?
(1) Level at which the product's primary characteristics operate.
(2) Degree to which all produced units of product are identical and meet promised specifications.
(3) Product's expected operating life under natural conditions.
(4) Probability that the product will not fail within a specified time period.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	23	4	8.2.4
2.	24	1	8.2

Sept. 2016 (Paper - II)

1. Which of the following marketing strategies is/are based on the principle of stimulus generalisation ?
(a) Product line extension
(b) Family branding
(c) Licensing
(d) Counterfeiting
Codes :
(1) (a) and (b)
(2) (b) and (c)
(3) (a), (b) and (c)
(4) (a), (b), (c) and (d)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	28	3	8.2

Jan. -2017 (Paper - II)

1. An elaborated version of the idea expressed in meaningful consumer term is called
(1) Product image
(2) Product idea
(3) Product concept
(4) Prototype

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	30	1	8.2

Nov.- 2017 (Paper - II)

1. Match the items of List - I with the items of List - II and denote the code of correct matching:

List - I	**List - II**
(a) Basic Product	(i) Set of attributes and conditions buyers normally expect
(b) Expected Product	(ii) Possible augmentation and transformation the product might undergo in future
(c) Augmented Product	(iii) Exceed customer expectations
(d) Potential Product	(iv) Converting core benefits into product

Code :

	(a)	(b)	(c)	(d)
(1)	(iii)	(iv)	(i)	(ii)
(2)	(i)	(iii)	(iv)	(ii)
(3)	(i)	(iv)	(iii)	(ii)
(4)	(iv)	(i)	(iii)	(ii)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	30	4	8.2

June- 2019

1. Match the items of List - I with the items of List - II and denote the code of correct matching:

List - I	**List – II**
a) Product Line	i) Total number of items under each product/brand in the line
b) Depth of Product	ii) Number of products/brands in the line
c) Width of Product Mix	iii) Group of closely related goods
d) Length of Product Line	iv) Number of product lines

Choose the correct option from those given below:

1. a – iii, b – i, c – iv, d – ii
2. a – iii, b – iv, c – ii, d – i
3. a – iv, b – i, c – ii, d – iii
4. a – ii, b – i, c – iii, d – iv

2. Following are the two statements with regard to product life cycle (PLC).

<u>Statement I:</u> Product sales pass through distinct stages of PLC, each posing different challenges, opportunities and problems to the seller.

<u>Statement II:</u> A company's positioning and differentiation strategy must change as its product, market and competitors change over the product life cycle.

Which of the following option is correct?

1. Statement I is correct but II is incorrect.
2. Statement II is correct but I is incorrect.
3. Both the statements I and II are correct
4. Both the statements I and II are incorrect

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	7	1	8.2.3
2.	9	3	8.2.4

Sub Unit - 3:

PRICING DECISIONS

……………………………………………………………………………………………..

8.3.1 Factors affecting Price Determination: Main factors affecting price determination of product are:

1. Product Cost
2. The Utility and Demand
3. Extent of Competition in the Market
4. Government and Legal Regulations
5. Pricing Objectives
6. Marketing Methods Used.

1. Product Cost: The most important factor affecting the price of a product is its cost.

Product cost refers to the total of fixed costs, variable costs and semi variable costs incurred during the production, distribution and selling of the product. Fixed costs are those costs which remain fixed at all the levels of production or sales.

For example, rent of building, salary, etc. Variable costs refer to the costs which are directly related to the levels of production or sales. For example, costs of raw material, labour costs etc. Semi variable costs are those which change with the level of activity but not in direct proportion.

2. The Utility and Demand: Usually, consumers demand more units of a product when its price is low and vice versa. However, when the demand for a product is elastic, little variation in the price may result in large changes in quantity demanded. In case of inelastic demand, a change in the prices does not affect the demand significantly. Thus, a firm can charge higher profits in case of inelastic demand.

Moreover, the buyer is ready to pay up to that point where he perceives utility from product to be at least equal to price paid. Thus, both utility and demand for a product affect its price.

3. Extent of Competition in the Market: The next important factor affecting the price for a product is the nature and degree of competition in the market. A firm can fix any price for its product if the degree of competition is low.

However, when the level of competition is very high, the price of a product is determined on the basis of price of competitors' products, their features and quality etc. For example, MRF Tyre company cannot fix the prices of its Tyres without considering the prices of Bridgestone Tyre Company, Goodyear Tyre company etc.

4. *Government and Legal Regulations*: The firms which have monopoly in the market, usually charge high price for their products. In order to protect the interest of the public, the government intervenes and regulates the prices of the commodities for this purpose; it declares some products as essential products for example. Life saving drugs etc.

5. *Pricing Objectives:* Another important factor, affecting the price of a product or service is the pricing objectives.

Following are the pricing objectives of any business:

- **Profit Maximization:** Usually the objective of any business is to maximize the profit. During short run, a firm can earn maximum profit by charging high price. However, during long run, a firm reduces price per unit to capture bigger share of the market and hence earn high profits through increased sales.
- **Obtaining Market Share Leadership:** If the firm's objective is to obtain a big market share, it keeps the price per unit low so that there is an increase in sales.
- **Surviving in a Competitive Market:** If a firm is not able to face the competition and is finding difficulties in surviving, it may resort to free offer, discount or may try to liquidate its stock even at BOP (Best Obtainable Price).
- **Attaining Product Quality Leadership:** Generally, firm charges higher prices to cover high quality and high cost if it's backed by above objective.

6. *Marketing Methods Used:* The various marketing methods such as distribution system, quality of salesmen, advertising, type of packaging, customer services, etc. also affect the price of a product. For example, a firm will charge high profit if it is using expensive material for packing its product.

8.3.2 Pricing Policies and Strategies: A pricing policy is a standing answer to recurring question. A systematic approach to pricing requires the decision that an individual pricing situation be generalised and codified into a policy coverage of all the principal pricing problems. Policies can and should be tailored to various competitive situations.

It is essential to establish policies for pricing of its products or services or ideas just as it is for all the aspects of business decision-making. Without definite price policies, each price decision is a time-consuming, tedious and a pell-mell affair.

A policy frame-work should lead to pricing that is consistent with the company objectives, costs, competition and demand for the product. A set of price policies and strategies will not only make price setting easier but also make possible as series of prices at various levels of distribution that are rational and justifiable.

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Following are some of the pricing policies and strategies which are in vogue.

A. Price Variation Policies: Price variation policies are those where in the firm attempts to vary the prices of its products with a view to match them with the differing market needs. There can be three variations of such price variation policies.

These options open to the firm are:

(1) Variable price policy.

(2) Non-variable price policy and

(3) Single price policy.

1. Variable Price Policy: It is that policy in which the company charges different prices for sale of its like goods at a given time to similar buyers purchasing in comparable quantities under similar conditions of sale. This is, prices charged differ from buyer to buyer.

This variable price policy is more apt in small business and where products are not standardized. It works well where the individual sale transactions of large sums and the bargaining power of individual purchasers is differing with the size of the transaction.

The greatest advantage of this variable price policy is that it has the highest degree of flexibility as a promotional tool. But it creates friction and dissatisfaction among the consumers who feel that they are discriminated. Further, it is a time consuming affair.

2. Non-Variable Price Policy: It is also called as 'one price' policy because, the company charges similar price for sale of like goods at a given time to a class of buyers purchasing in comparable quantities under similar conditions of sale. Here, the price charged varies from class to class say, wholesalers, sub-wholesalers, retailers and distributors.

This non-variable price policy is less discriminatory as prices differ from class to class than customer to customer. It is a popular price policy followed by all those firms which have indirect marketing arrangements.

There will be no question of price bargaining as the rates are applicable to the class of buyers as a whole. The greatest satisfaction is that there is no cause for friction and heart-burning among the buyers.

3. Single Price Policy: It is that price policy wherein all the buyers irrespective of their class, size, or the conditions of purchases are charged similar purchase price under similar conditions of sale. This is the price policy that has no touch of discrimination and it is constructive in the sense that it helps in building goodwill.

It is equally easy to administer as there is no scope for bargaining. Instead of speaking on price of the product, the sales army can utilize its time on product quality, service and outstand ability.

However, this price policy does not find favour with quantity buyers who feel that they should have been charged much lower prices than the small-lot purchasers. As a result, such buyers may be lost to competitors unless the product is really known by its brand. This feeling is easily accommodated by product differentiation and market segmentation.

B. Geographic Price Policies: Geographical price policies are fully reflective of the practical problems of consumers and producers or the sellers locating geographically and the emergent transportation costs of linking them. Take our own country where production centres are highly concentrated while the consumption centres are widely dispersed.

Thus, the cities like Mumbai, Chennai, Calcutta, Delhi, Ahmadabad, Bangalore, Hyderabad where we have industrial conglomeration while the demand for the products produced in these comes from far off places. Taking transport costs as major thrust, pricing policies are designed.

The major geographical pricing policies are:

(1) Point of origin price policy.

(2) Freight absorption price policy.

1. Point of Origin Price Policy: It is that type of geographic pricing policy in which a firm quotes ex- factory price and makes no allowance for the transportation costs necessary to move the goods to the point of destination. There can be two variations in this policy namely, 'ex-factory' and 'free on rail' (F.O.R).

Price under ex- factory pricing holds buyer responsible for all the transportation costs both freight and cartage from the factory point. On the other hand, F.O.R. price is the one in which the company bears cartage or carriage till the transport agency or the railway station. That is, the buyers are to meet freight from the transport agency or the railway station to the point of destination.

Point of origin price policy leads to the establishment of the geographical monopoly for the firm because, the transportation costs separate those firms located in distant areas from competing with the local producers. It guarantees better price realization in local markets wherever the products enjoy relatively inelastic demand.

Further, price quotations and price administration are simplified. However, a firm cannot enter national market unless its products are distinctive enjoying inelastic demand and strong brand loyalty and where competitors find it difficult to enter.

2. Freight Absorption Price Policy: Freight absorption price policy is one that absorbs the transportation costs fully or partly. That is, the price quoted is inclusive of transportation costs. In other words, the buyers do not bear directly freight and other transportation charges though the price includes such charges.

There can be three variations of this freight absorption price policy namely:

(1) Uniform delivered price policy.

(2) Zonal price policy and

(3) Base point price policy.

'Uniform Delivered Price Policy' is popularly known as 'postage stamp' price or 'F.O.R. Destination' price. It is one in which the firm absorbs full transportation costs and delivers the goods to all the buyers at their ends at a uniform price irrespective of location and distance.

Thus, buyers from Goa, Mumbai, Kolkata, Chennai, and Delhi and so on all are to pay a uniform price that includes full freight absorption by the firm. Under actual business conditions, the firm averages the total freight charges for all customers and ads in full or part to the basic price so as to arrive at the final price to be quoted.

It implies that the firm's net return differs from location to location of the buyers. This policy is fully used to expand market as a non- price competitive measure. This is of special significance in catching distant markets.

'Zonal Price Policy' is one under which the firm divides its markets into zones and quotes uniform prices to all the buyers located in the identified zone. That is, the prices quoted will differ from zone to zone rather than a single price all over the country. The price arrived at is the addition of average transportation costs to the basic price.

As a result, buyers located in close zones are penalized and those located at distances are subsidized. Thus, there is a partial absorption of the transport costs in real sense. This, policy, therefore, stabilises the prices within a zone and simplifies calculation of transport charges.

'Base Point Price Policy' like zonal pricing policy it implies partial absorption of the transport costs by the firm. However, the price is quoted by adding transport costs computed up to the buyers' location by reference to one geographic location, not necessarily the factory and that location is called as 'base-point'.

In other words, the buyers pay ex-factory price plus freight computed from the nearest base point irrespective of the actual freight incurred by the firm. In such a deal, it is quite possible that the actual freight paid by the company may be less than what is charged to the buyer. This difference enjoyed by the pricing firm is known as 'phantom freight'. Depending on the number of base points, such policy can be single base-point price policy or multiple-base point price policy.

This price policy is normally the collective decision of all the firms that believe in base-point pricing. However, this price policy encourages price rigidities and discriminates against local buyers who are forced to pay 'phantom freight' for no fault of theirs. That is why; it is controversial price policy with collusive overtones.

C. Price Differential Price Policies: The price policies that involve price differentials are those the pricing firm accepts the gap between the price 'quoted to the consumers or dealers and the actual price charged. Thus, price differential represents the differences between the price quoted and the price charged to the buyer.

Such price differentials have been accepted as part of pricing strategies to encourage buyers, to meet competitive pressure, to attain financial objective and finally to compensate the buyers for the loss of value satisfaction.

By 'price differential' we mean that the final price will be less than the quoted price. It is not always true because, it may mean price hike too. Thus, discounts and rebates reduce the basic price quoted while warranty charges might increase it that is they are the subtractions and additions to the price quoted. Therefore, the forms of price differentials are discount rebates and premiums.

Discounts: Discount is the price differential that reduces the quoted price so that the buyer pays much less than the quoted price. Discount is an allowance made to the buyers in consideration on marketing services rendered. Discount can be of three types namely, trade quantity and cash. 'Trade discount' or functional discount is the deduction allowed of the quoted price with reference to specific position enjoyed by the buyers in the channel of distribution. The aim is to compensate the intermediaries of the distribution channel for their valuable service rendered. It is a percentage deduction of the quoted price.

Trade discount varies from industry to industry, company to company and product to product in a company. It depends on the length of the channel and the nature of functions performed by intermediaries.

Rebates: 'Rebate' is a deduction of the quoted price. Many a times, the buyers suffer loss of value satisfaction caused by certain factors. The causes of such dissatisfaction may be defective goods delivered, delays caused in delivery, goods damaged in transit, possible deterioration in quality on the shelves.

In order to accommodate these genuine claims, concessions are given in the form of rebate. One cannot think of standard rates of rebate. Only the merit of the individual case in respect of which rate can be decided.

Premiums: All the earlier four points were those that reduced the net price payable by the buyer. However, at times, opposite is also true. There are occasions where the actual price paid will be higher than the quoted price. Thus, consumer durable manufacturing units can add premium to the price quoted for one reason or the other.

D. Leader Price Policy: Leader pricing is one where the firm in the industry initiates the price changes and these price changes are so effective that other firms follow suit. It is the one of price approximation by followers to that of initiator in the industry.

In marketing jargon the former is called as "price follower" and the latter as "price leader". This pricing policy works on the principle that there is some truth and wisdom in following the established and giant units.

This normally occurs in all those industries where the products are highly standardised and produced on mass scale. It may be a cigarette, sugar, cement, fertiliser, steel, tea, soaps, paints, type-writers and so on.

A company can afford to a price leader only when it enjoys lion's share of market; is well informed about its demand, supply and cost conditions; has the reputation for sound pricing policies over the years, and above all the management has all the drive and initiative. Many times, it pays to be the price follower than the price leader.

The price leader has several options of effecting changes such as maintaining the price, raising relative perceived quality, reduce price, increase and price improve quality or launch low price fighter line.

E. Psychological Pricing: Psychological pricing is to do with creating a typical consumer perception so that the consumer is made to buy the product. That is, the prices fixed influence the psyche of customer and spur him to action. It is mostly the price policy followed by consumer durables.

Thus, shoes companies in India have played with the consumer psychology by pricing say, Mocasin pair at Rs. 399.95 instead of pricing at Rs. 400.00 straight. It means two things; for the customer one that things are cheaper and that the manufacturers are not exploiting the consumers because, they are true to the last paisa. It is an advantage to the seller as it multiplies the sales.

F. New Product Pricing Policies: Basically, price determination process involved in case of new products need not be very much different from those of existing products. However, there are distinct price objectives involved in case of new products. Larger latitude of pricing objectives is possible in case of new products; pricing flexibility is also greater.

There is growing competition and limited accepted prices when the new product is in the growth, maturity and decline stage. Further, as product is yet to see light of the day, much depends on external factors.

In case of new products, there can be two possible price policies namely:

1. Skimming price policy and
2. Penetration price policy.

1. Skimming Price Policy: Skimming price policy sets high initial price to first profit from price inelastic customers, and then successively lowering the prices, often under increasing competitive conditions, to the levels that more price sensitive customers are willing to pay. It sets introductory prices at high levels relative to costs to “skim the cream” off the market.

As there is no immediate competition and there are price inelastic customers, the firm finds it easier and safer to set initial new product prices as high as possible relative to costs and to lower the prices gradually as the market conditions dictate.

It is essentially a slow risk strategy and allows the sellers to recover their investment rapidly though the higher returns that tempts the competitors to enter the arena.

This skimming pricing policy is going to be very successful under the following conditions:

1. Where the demand is relatively inelastic because, the customers know little about the product and close rivals are few.
2. Where the market can be broken down into segments with different price elasticities of demand.
3. Where little is known about the cost or price elasticity of the product.
4. Where it is essential to minimize the risk as one can move down then move up in the prices. The companies with high price tags ride the storms of depression easier than the cut-price merchants as their high margins support them.
5. Where the firm is efforting to ‘up-market’ its product so as to improve further on quality, service and expenditure on marketing costs and so capitalise on its efforts.

2. Penetration Price Policy: As opposed to the concept of skimming price strategy, it is an attempt to set new product prices low relative to the costs. It involves setting low initial price to establish market share, pre-empt the competitors and/or to capitalise production economies. By setting low initial prices, the competitors are kept away and this makes possible for the firm to enlarge its share by generating larger sales volume.

The conditions which favour penetration pricing policy are:

1. Where there is high price elasticity of demand. That is, the firm is depending on low prices to attract more customers to new product.
2. Where large scale economies are possible, it is because, large sales volume means lower unit cost.
3. Where there is a strong threat of competition; here only a low price can ward off potential entrants to the market.
4. Where there is unutilised capacity; it is because, the price policy that increases the demand has no meaning unless the firm is in a position to meet the demand created.
5. Where market segments are not there so that high price may be accepted.

G. Promotional Pricing: The intention of promotional pricing is to stimulate early purchase on the part of consumers. Companies follow good many strategies to achieve this goal.

These are:

1. Loss Leader Pricing: Most of the supermarkets and departmental stores reduce the prices of products on well known brands to attract more and more customers to increase sales. This pays if the additional revenue.

Sales compensates for the lower margins on the loss-leader-items. Manufacturers of loss-leader brands generally object to this practice because it can dilute the brand image and bring more complaints from retailers who charge the list-price.

Manufacturers have tried to restrain the intermediaries from loss- leader pricing through lobbying for retail-price maintenance laws but these laws have been revoked.

2. Special Event Pricing: Sellers fix special prices in certain seasons and events to draw more customers. Mostly seasonal products make it possible to make good margin. The event of reopening of schools and colleges in June, there good demand for student's needs. Even in case of eventful festivals, sellers make good margin and money by charging uniquely higher and bargain prices. In India marriage season attracts people to buy gold and jewelleries and clothes between Octobers to May.

3. Cash Rebates: In case of consumer durable goods-especially white goods like two- wheelers, autos, cars, fans, fridges, washing machines and home appliances including electronic goods, cash rebate is given.

Thus, MUL in case of each model it makes a cash rebate ranging between Rs. 10,000 to 35,000, depending on the model. This is for a specific period. Rebates can help in clearing inventories without cutting the list price.

4. Low or Zero Interest Financing: Instead of cutting the product's prices; the companies can offer goods at zero or low rate of interest the finance. This is a credit transaction but there is a guarantee of recovery and hard sell goods are pushed off. This is very much common in case of consumer durables. This helps the consumers too. Further, the investment inventories are cut on the part of the manufacturers and distributors.

5. Longer Period Payments: Consumers hesitate to buy products like cars, two wheelers, ready flats, and travelling. In such cases, they do not mind paying comparatively higher rates of interest, but the period of payment is extended to make monthly instalment quite handy. This is good proposal for both dealers and customers.

6. Warranties and Service Contracts: We see that companies have been tempted to extend warranty period which never heard earlier. Thus, LG Washing Machine has 7 year warranty. Asian paints have 8 year warranty. Similarly in case of TV sets and other electronic goods warranty period is extended because of which consumers come forward to buy these products without any hesitation. Added to this, they extend service contracts at reasonable costs.

7. Psychological Discounting: One is aware of discounts from normal prices are legitimate form of promotional pricing. Now more and more companies are adopting what is known as psychological discounting. It means that the price is originally at a high level much more than that of normal. Later, high rate of discount is given, where the seller is at gain always.

Previous Year Question

June- 2015 (Paper - III)

1. The pricing strategy which adjusts the basic price to accommodate differences in customers, products and locations is called:

1) Differentiated pricing
2) Promotional pricing
3) Geographical pricing
4) Price discounts and allowances

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	28	1	8.3.2

Sub Unit - 4:

PROMOTION DECISIONS

……………………………………………………………………………………………………..

8.4.1 Role of Promotion in Marketing:

Increase Brand Awareness: Promotions such as television, radio and magazine advertising increase brand awareness. More people tend to learn about a particular company or its brands if they frequently see or hear about them. New companies particularly have to advertise to apprise consumers who they are and what they offer. This is true with local or even national companies, as brand awareness can be measured by market, regionally or nationally. It can take many months or even years for companies to build brand awareness levels that match established competitors.

Provide Information: Small companies also use promotions to provide information, notes Know This, a popular online business reference site. Marketers may run press releases to apprise consumers that their products can help certain ailments. A small consumer products manufacturer may use displays and pamphlets to describe the benefits of a new health food. High-tech manufacturers often use in-store videos and demonstrations to show people how to use their products. Promotions can inform people during all stages of the buying process, including their initial search. Small business owners also use promotions to inform consumers about price, product features and outlets that sell their products.

Increase Customer Traffic: Grocery stores, beauty salons and movie theaters use promotions such as frequency programs to increase customer traffic. A frequency program promotion is designed to reward people the more they visit and spend with a retailer. Most retailers start their frequency programs by having customers fill out an application. They then issue cards for customers to use each time they make a purchase; the cards contain magnetic strips that track purchases through registers and computers. Frequency card promotions are designed primarily to attract traffic among current customers. New customers also may be attracted to the promotion if they hear about it.

Build Sales and Profits: The primary objective in using promotions such as advertising, sales promotions and public relations is to build sales. Promotions are designed to get people to try products and services. Promoting high-quality products or services aims to get customers to return and spend more money. Ultimately, companies use promotions to build a loyal customer base, which leads to greater sales and profits.

8.4.2 Promotion Methods: Advertising, Personal Selling, Publicity

Advertising: Advertising takes up a significant portion of a company's budget allocated toward marketing and promotion. It includes the development and paid delivery of brand or product messages through media. Companies usually have internal advertising departments that design and develop ads, or they work with advertising firms who specialize in the advertising process. Since you pay for ad placement in media such as television, radio, newspapers and magazines, you generally have more control over the message than you do through some other promotional methods.

Personal Selling: While business typically engages in some level of advertising and public relations, the use of personal selling tactics varies considerably. Some small businesses don't employ active sales associates based on the small-scale products or services they sell. Companies with big-ticket items, such as electronics or appliances, more often use sales associates to stress the benefits of products to customers and to overcome their concerns. Selling is one of the most interactive forms of promotion.

Publicity: Maintaining goodwill with the public is an important long-term strategy for both small and large companies. A variety of public relations tactics are used to reach out to customers through unpaid-for media messages. Press releases are one of the most common and routine PR tactics. This is when a company sends an overview of a major change or event, product launch or other news to various media outlets. Press conferences, features news reports and newsletters are other common PR tools. A general objective of PR is to keep your brand in front of people even beyond paid ads. The challenge is you can't always control the way your PR messages are delivered or received.

8.4.3 Sales Promotion Tools and Techniques: Sales promotion is an important tool of promotion which supplements personal selling and advertising efforts. According to American Marketing Association, "Sales promotion includes those marketing activities, other than personal selling, advertising, and publicity, that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstration, and various non-recurrent selling efforts not in the ordinary routine."

Sales promotion includes techniques like free samples, premium on sale, sales and dealer incentives, contests, fairs and exhibitions, public relations activities, etc. Sales promotions are those activities, other than advertising and personal selling that stimulate market demand for products. The basic purpose is to stimulate on the spot buying by prospective customers through short-term incentives. These incentives are essentially temporary and non-recurring in nature.

Techniques of Sales Promotion:

1. Distribution of Samples: Many big businessmen distribute free samples of their products to the selected people in order to popularise their products. Distribution of samples is popular in case of books, drugs, cosmetics, perfumes and other similar products. As the distribution of samples is very costly, this system is confined to those products of small value which have often repeated sales.

2. Rebate or Price-Off Offer: In order to increase sale, many producers introduce price off offer to the customers. Under this, the product is offered at a price lower than the normal price. For example, during off season (winter), ceiling fans, coolers and refrigerators may be offered at 20 to 30% off price.

Rebate offer is given for a limited period only, for example, Coca cola offered 2 litre bottle at Rs. 35 only during winter 2009. Khadi Gram Udyog offers rebates on Khadi cloth and readymades to coincide with the month of Gandhi Jayanti every year.

3. Partial Refund: A firm may use the strategy of refunding a part of the price paid by the customer on the production of some proof of purchase of its product. For instance, the buyer of two cakes of a branded soap may be refunded Rs. 5 on returning the empty packages to the dealer.

4. Discount Coupons: A discount coupon is a certificate that entitles its holder to a specified saving on the purchase of a specified product. Coupons may be issued by the manufacturers either directly by mail through sales-force or through the dealers. The coupons are also issued through newspapers and magazines. The holders of coupons can go to the retailers and get the product at a cheaper price.

The retailers are reimbursed by the manufacturer for the value of coupon redeemed and also paid a small percentage to cover handling cost. But many retailers do not patronise this method because it involves financial and accounting problems for them.

5. Packaged Premium: Under this, the seller offers premium to the buyer by way of supplying a gift along with the product or inside the product package. Premium on sales helps the salesman to make effective presentation, stimulate sale in a particular area, lead to enlistment of new customers and have the way for introducing new brands in the market. Premiums are generally given in the case of customer convenience goods such as packed tea leaves, blades, tooth-pastes and toilet soaps.

6. Container Premium: Several firms use container premium to push the sale of their products. For instance, Taj Mahal tea leaves, Ariel detergent powder, Bournvita, Kissan jams, etc. are made available in special containers which could be reused in kitchens after the product has been consumed. The reusable containers for packaging often have special appeal to the consumers who don’t have to pay anything extra for the product.

7. Contests: There may be consumers’ contests, salesman’s contests and dealers’ contests. Contests for salesman and dealers are intended for inducing them to devote greater efforts or for obtaining new sales idea in the task of sales promotion.

Contests for consumers may centre around writing a slogan on the product. Such slogan centres around the questions as to the liking of a customer for the product, or formulation of new advertising idea for the product. Such contests are held through radio, T.V., newspapers, magazines, etc.

8. Public Relations: Public relations activities strive for creating a good image of the enterprise in the eyes of the customers and the society. These activities are not aimed at immediate demand creation. It is very common that big business enterprises convey their greetings and thanks to the people through newspapers and other media.

9. Free Gift: The customer does not get any benefit at the time of purchase, rather he gets it through mail. For this he has to send the proof of purchase (e.g., cash memo and wrapper) to the manufacturer to claim the gift which might be a diary or book or any other item. The gift is sent by the manufacturer by mail or through courier.

10. Exchange Offer: It means exchange of an old product with the new one after payment of the exchange price fixed by the manufacturer. Such offers are very common these days in case of electric irons, TVs, refrigerators, scooters, gas stoves, washing machines, etc.

11. Product Combination or Gift: It refers to giving a free gift on purchase of a product. Generally, the free gift is related to the product but it is not necessary. For example, Mug free with Bournvita, Toothbrush free with Toothpaste, DVD free with TV, Vacuum cleaner free Fridge, etc.

12. Instant Draws and Assured Gifts: Some sectors offer instant draws and assured gifts to their customers when they make purchases. The scheme may be like – "Scratch a card (or burst a cracker) and instantly win a car, A.C., fridge, T.V., computer or electric iron on the purchase of a T.V."

13. Full Finance @ 0%: Manufacturers of durables like bikes, T.V., A.C., etc. offer easy financing schemes even at 0% rate of interest e.g., "Pay Rs. 10,000 in cash and Rs. 30,000 in 12 equal instalments of 2,500 each by post-dated cheques and get a bike on the spot." This tool of promotion misleads the customers and so should be avoided by the marketers.

Sales Promotion Tools and Programmes:

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

These tools and programmes are divided under two heads:

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

1. Tools and Programmes for Consumer Sales Promotion:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.4.4 Promotion Mix: It refers to all the decisions related to promotion of sales of products and services. The important decisions of promotion mix are selecting advertising media, selecting promotional techniques, using publicity measures and public relations etc.

There are various tools and elements available for promotion. These are adopted by firms to carry on its promotional activities. The marketer generally chooses a combination of these promotional tools.

Following are the tools or elements of promotion. They are also called elements of promotion mix:

1. Advertising
2. Sales promotion
3. Personal selling
4. Public relation

1. Advertising: Advertisement can be defined as the "paid form of non-personal presentation and promotion of idea, goods or services by an identified sponsor".

It is an impersonal presentation where a standard or common message regarding the merits, price and availability of product or service is given by the producer or marketer. The advertisement builds pull effect as advertising tries to pull the product by directly appealing to customer to buy it.

2. Sales Promotion: Sales promotion refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product. Sales promotion techniques are very useful because they bring:

(a) Short and immediate effect on sale.

(b) Stock clearance is possible with sales promotion.

(c) Sales promotion techniques induce customers as well as distribution channels.

(d) Sales promotion techniques help to win over the competitor.

3. Personal Selling: Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale.

The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction.

4. Public Relations: Apart from four major elements of marketing mix, another important tool of marketing is maintaining Public Relations. In simple words, public relations mean maintaining public relations with public. By maintaining public relations, companies create goodwill.

Public relations evaluate public attitudes; identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance.

Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers etc. The firm's success and achievement depends upon the support of these parties for example, firm needs active support of middle men to survive in market, it must have good relations with existing shareholders who provide capital. The consumers' group is the most important part of public as success of business depends upon the support and demand of customers only.

Previous Year Question

June 2015 (Paper - III)

1. Match the items of **List – I** with the items of **List – II:**

List – I	List – II
a) Face-to-face interaction with one or more prospective purchases	i) Sales promotion
b) Any paid form of non-personal promotion	ii) Public relations
c) Short-term incentives to encourage purchase	iii) Personal selling
d) Programmes to promote company's image	iv) Advertising

Codes:	(a)	(b)	(c)	(d)
1.	iii,	iv,	ii,	i
2.	iii,	iv,	i,	ii
3.	ii,	i,	iii,	iv
4.	ii,	iii,	i,	iv

2. Which of the following can be used by a company as communication mix to reach the target customers?

a) Advertising
b) Sales promotion
c) Events and experiences
d) Public relations
e) Direct marketing
f) Personal selling

Codes:

1) a, b, d, and f
2) a, b, e, and f
3) a, b, d, e, and f
4) a, b, c, d, e, and f

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	30	2	8.4.2
2.	56	3	8.4.3

June 2015 (Paper - II)

1. 'Press release' is a part of:
1) Public Relations
2) Advertising
3) Sales Promotion
4) None of the above

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	30	1	8.4.3

July 2016 (Paper - III)

1. Advertising method in which an advertisement is broadcasted simultaneously on several radio stations and / or television channels is known as
(1) Black-out
(2) Consolidation
(3) Road-block
(4) Cornering

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	54	3	8.4.3

Sept. 2016 (Paper - II)

1. Though often criticized, the selling concept is particularly appropriate and effective with which of the following types of products ?

(1) Convenience
(2) Shopping
(3) Unsought
(4) Speciality

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	26	3	8.4

Nov.- 2017 (Paper - II)

1. Which one of the following statements is true according to VALS framework of psychographic segmentation?

(1) The consumers who are primarily motivated by ideals are guided by knowledge and principles.

(2) The consumers who are motivated by achievement look for knowledge and principles.

(3) The consumers who are motivated by self expression don't desire social or physical activity, variety, and risk.

(4) The consumers who are motivated by achievement desire social or physical activity,variety, and risk.

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	27	1	8.4.3

July- 2018 (Paper - II)

1. Match the items of List - II with List - I which are related to personal selling process and identify the correct code :

List - I	List - II
(a) Prospecting	(i) Attention, Interest, Desire, Action
(b) Preapproach	(ii) Identifying Profiles, leads, Records and Qualifying capability and willingness
(c) Presentation	(iii) Reduce Dissonance, Build goodwill
(d) Post sales services	(iv) Information, habits, preferences

Code :	(a)	(b)	(c)	(d)
(1)	(i)	(iii)	(iv)	(ii)
(2)	(iii)	(iv)	(ii)	(i)
(3)	(ii)	(iv)	(i)	(iii)
(4)	(iv)	(iii)	(ii)	(i)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	42	3	8.4.3

Sub Unit - 5

DISTRIBUTION DECISIONS

……………………………………………………………………………………………………

8.5.1 Channels of Distribution: A distribution channel (also called a *marketing channel*) is the path or route decided by the company to deliver its good or service to the customers. The route can be as short as a direct interaction between the company and the customer or can include several interconnected intermediaries like wholesalers, distributors, retailers, etc.
Hence, a distribution channel can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer.
Functions of Distribution Channels: In order to understand the importance of distribution channels, you need to understand that it doesn't just bridge the gap between the producer of a product and its user.

- Distribution channels provide time, place, and ownership utility. They make the product available when, where, and in which quantities the customer wants. But other than these **transactional functions**, marketing channels are also responsible to carry out the following functions:
- **Logistics and Physical Distribution:** Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers.
- **Facilitation:** Channels of distribution even provide pre-sale and post-purchase services like financing, maintenance, information dissemination and channel coordination.
- **Creating Efficiencies:** This is done in two ways: *bulk breaking* and *creating assortments*. Wholesalers and retailers purchase large quantities of goods from manufacturers but break the bulk by selling few at a time to many other channels or customers. They also offer different types of products at a single place which is a huge benefit to customers as they don't have to visit different retailers for different products.
- **Sharing Risks:** Since most of the channels buy the products beforehand, they also share the risk with the manufacturers and do everything possible to sell it.
- **Marketing:** Distribution channels are also called marketing channels because they are among the core touch points where many marketing strategies are executed. They are in direct contact with the end customers and help the manufacturers in propagating the brand message and product benefits and other benefits to the customers.

Types of Distribution Channels: Channels of distribution can be divided into the direct channel and the indirect channels. Indirect channels can further be divided into one-level, two-level, and three-level channels based on the number of intermediaries between manufacturers and customers.

- **Direct Channel or Zero-level Channel (Manufacturer to Customer):** Direct selling is one of the oldest forms of selling products. It doesn't involve the inclusion of an intermediary and the manufacturer gets in direct contact with the customer at the point of sale. Some examples of direct channels are peddling, brand retail stores, taking orders on the company's website, etc. Direct channels are usually used by manufacturers selling perishable goods, expensive goods, and whose target audience is geographically concentrated. For example, bakers, jewellers, etc.
- **Indirect Channels (Selling Through Intermediaries):** When a manufacturer involves a middleman/intermediary to sell its product to the end customer, it is said to be using an indirect channel. Indirect channels can be classified into three types:
  - **One-level Channel (Manufacturer to Retailer to Customer):** Retailers buy the product from the manufacturer and then sell it to the customers. One level channel of distribution works best for manufacturers dealing in shopping goods like clothes, shoes, furniture, toys, etc.
  - **Two-Level Channel (Manufacturer to Wholesaler to Retailer to Customer):** Wholesalers buy the bulk from the manufacturers, breaks it down into small packages and sells them to retailers who eventually sell it to the end customers. Goods which are durable, standardised and somewhat inexpensive and whose target audience isn't limited to a confined area use two-level channel of distribution.
- **Three-Level Channel (Manufacturer to Agent to Wholesaler to Retailer to Customer):** Three level channel of distribution involves an agent besides the wholesaler and retailer who assists in selling goods. These agents come handy when goods need to move quickly into the market soon after the order is placed. They are given the duty to handle the product distribution of a specified area or district in return of a certain percentage commission. The agents can be categorised into super stockists and carrying and forwarding agents. Both these agents keep the stock on behalf of the company. Super stockists buy the stock from manufacturers and sell them to wholesalers and retailers of their area. Whereas, carrying and forwarding agents work on a commission basis and provide their warehouses and shipment expertise for order processing and last mile deliveries. Manufacturers opt for three-level marketing channel when the userbase is spread all over the country and the demand of the product is very high.

- **Dual Distribution:** When a manufacturer uses more than one marketing channel simultaneously to reach the end user, he is said to be using the dual distribution strategy. They may open their own showrooms to sell the product directly while at the same time use internet marketplaces and other retailers to attract more customers.
- **Distribution Channels for Services:** Unlike tangible goods, services can't be stored. But this doesn't mean that all the services are always delivered using the direct channels. With the advent of the internet, online marketplaces, the aggregator business model, and the on-demand business model, even services now use intermediaries to reach to the final customers.
- **The Internet as a Distribution Channel:** The internet has revolutionised the way manufacturers deliver goods. Other than the traditional direct and indirect channels, manufacturers now use marketplaces like Amazon (Amazon also provide warehouse services for manufacturers' products) and other intermediaries like aggregators (uber, Instacart) to deliver the goods and services. The internet has also resulted in the removal of unnecessary middlemen for products like software which are distributed directly over the internet.

Factors Determining the Choice of Distribution Channels: Selection of the perfect marketing channel is tough. It is among those few strategic decisions which either make or break your company. Even though direct selling eliminates the intermediary expenses and gives more control in the hands of the manufacturer, it adds up to the internal workload and raises the fulfilment costs.

Hence these four factors should be considered before deciding whether to opt for the direct or indirect distribution channel:

- **Market Characteristics:** This includes the number of customers, their geographical location, buying habits, tastes and capacity and frequency of purchase, etc.

  Direct channels suit businesses whose target audience lives in a geographically confined area, who require direct contact with the manufacturer and are not that frequent in repeating purchases.

  In cases of customers being geographically dispersed or residing in a different country, manufacturers are suggested to use indirect channels.

  The buying patterns of the customers also affect the choice of distribution channels. If customers expect to buy all their necessaries in one place, selling through retailers who use product assortment is preferred. If delivery time is not an issue, if the demand isn't that high, the size of orders is large or if there's a concern of piracy among the customers, direct channels are suited.

  If the customer belongs to the consumer market, longer channels may be used whereas shorter channels are used if he belongs to the industrial market.

  Understanding consumer behaviour is essential for deciding the most effective marketing channel for the business.

- **Product Characteristics:** Product cost, technicality, perishability and whether they are standardised or custom-made play a major role in selecting the channel of distribution for them. Perishable goods like fruits, vegetables and dairy products can't afford to use longer channels as they may perish during their transit. Manufacturers of these goods often opt for direct or single level channels of distribution. Whereas, non-perishable goods like soaps, toothpaste, etc. require longer channels as they need to reach customers who reside in areas which are geographically diverse.
  If the nature of the product is more technical and the customer may require direct contact with the manufacturer, direct channels are used. Whereas, if the product is fairly easy to use and direct contact makes no difference to the number of sales, longer channels are used.
  The per unit value of the product also decides whether the product is sold through a direct channel or through an indirect channel. If the unit value is high like in the case of jewellery, direct or short channels are used, whereas products like detergents whose unit value is low use longer channels of distribution.
- **Competition Characteristics:** The choice of the marketing channel is also affected by the channel selected by the competitors in the market. Usually, the firms tend to use a similar channel as used by the competitors. But some firms, to stand out and appeal to the consumer, use a different distribution channel than the competitors. For example, when all the smartphones were selling in the retail market, some companies partnered with Amazon and used the scarcity principle to launch their smartphone as Amazon exclusive.
- **Company Characteristics:** Financial strength, management expertise, and the desire for control act as important factors while deciding the route the product will take before being available to the end user.
  A company having a large amount of funds and good management expertise (people who have sufficient knowledge and expertise of distribution) can create the distribution channels of its own but a company with low financial stability and management expertise has to rely on third-party distributors.
  The companies who want to have tight control over the distribution prefer direct channels. Whereas, those companies to whom such control doesn't matter or those who are just interested in the sales of their products prefer indirect channels.

8.5.2 Channel Management: The term Channel Management is widely used in sales marketing parlance. It is defined as a process where the company develops various marketing techniques as well as sales strategies to reach the widest possible customer base. The channels are nothing but ways or outlets to market and sell products. The ultimate aim of any organization is to develop a better relationship between the customer and the product.

Channel management helps in developing a program for selling and servicing customers within a specific channel. The aim is to streamline communication between a business and the customer. To do this, you need to segment your channels according to the characteristics of your customers: their needs, buying patterns, success factors, etc. and then customize a program that includes goals, policies, products, sales, and marketing program (1). The goal of channel management is to establish direct communication with customers in each channel. If the company is able to effectively achieve this goal, the management will have a better idea which marketing channel best suits that particular customer base. The techniques used in each channel could be different, but the overall strategy must always brand the business consistently throughout the communication.

A business must determine what it wants out of each channel and also clearly define the framework for each of those channels to produce desired results. Identifying the segment of the population linked to each channel also helps to determine the best products to pitch to those channels.

The 5 components of a Channel Management Strategy: The components are:

- True alignment to corporate and sales strategy.
- Defined partner selection process.
- Adherence to a channel governance process.
- Partner focused recruitment package.
- Comprehensive channel enablement content.

Sub Unit - 6:

CONSUMER BEHAVIOUR

…………………………………………………………………………………………………..

8.6.1 Consumer Buying Process: The steps involved in consumer buying process are stated below:

- **Problem Recognition:** Put simply, before a purchase can ever take place, the customer must have a reason to believe that what they want, where they want to be or how they perceive themselves or a situation is different from where they actually are. The desire is different from the reality – this presents a problem for the customer.
  However, for the marketer, this creates an opportunity. By taking the time to "create a problem" for the customer, whether they recognize that it exists already or not, you're starting the buying process. To do this, start with content marketing. Share facts and testimonials of what your product or service can provide. Ask questions to pull the potential customer into the buying process. Doing this helps a potential customer realize that they have a need that should be solved.
- **Information Search:** Once a problem is recognized, the customer search process begins. They know there is an issue and they're looking for a solution. If it's a new makeup foundation, they look for foundation; if it's a new refrigerator with all the newest technology thrown in, they start looking at refrigerators – it's fairly straight forward.
- **Evaluation of Alternatives:** Just because you stand out among the competition doesn't mean a customer will absolutely purchase your product or service. In fact, now more than ever, customers want to be sure they've done thorough research prior to making a purchase. Because of this, even though they may be sure of what they want, they'll still want to compare other options to ensure their decision is the right one.
- **Purchase Decision:** Somewhat surprisingly, the purchase decision falls near the middle of the six stages of the consumer buying process. At this point, the customer has explored multiple options, they understand pricing and payment options and they are deciding whether to move forward with the purchase or not. That's right, at this point they could still decide to walk away.
- **Purchase:** A need has been created, research has been completed and the customer has decided to make a purchase. All the stages that lead to a conversion have been finished. However, this doesn't mean it's a sure thing. A consumer could still be lost. Marketing is just as important during this stage as during the previous.
- **Post-Purchase Evaluation:** Just because a purchase has been made, the process has not ended. In fact, revenues and customer loyalty can be easily lost. After a purchase is made, it's inevitable that the customer must decide whether they are satisfied with the decision that was made or not. They evaluate.

8.6.2 Factors influencing Consumer Buying Decisions

- **Economic Factor:** The most important and first on this list is the Economic Factor. This one is the main foundation of any purchasing decision. The reason is simple people can't buy what they can't afford. The need of a product also doesn't play a role here, but the most important thing is affordability.
- **Functional Factor:** The factor is totally about needs, backed by a logic that what makes sense and also fits in the best interest of the customer. This one factor also plays a very important role in the buying decision.
- **Marketing Mix Factors:** There are 4 components in the marketing mix, i.e. product, pricing, promotion and place of distribution and each of these components have a direct or indirect impact on the buying process of the consumers. The consumers consider various things like the characteristics of the product, price charged, availability of the product at the required location and much more.
- **Personal Factors:** The personal factors include age, occupation, lifestyle, social and economic status and the gender of the consumer. These factors can individually or collectively affect the buying decisions of the consumers.
- **Psychological Factor:** When it comes to the psychological factors there are 4 important things affecting the consumer buying behaviour, i.e. perception, motivation, learning, beliefs and attitudes.
- **Social Factors:** Social factors include reference groups, family, and social status. These factors too affect the buying behaviour of the consumer. These factors in turn reflect an endless and vigorous inflow through which people learn different values of consumption.
- **Cultural Factors:** Cultural factors have a subtle influence on a consumer's purchasing decision process. Since each individual lives in a complex social and cultural environment, the kinds of products or services they intend to use can be directly or indirectly be influenced by the overall cultural context in which they live and grow. These Cultural factors include race and religion, tradition, caste and moral values.

Previous Year Question

June 2015 (Paper - II)

1. Black box model in marketing relates to:
1) Marketing planning
2) Marketing mix
3) Marketing control
4) Consumer behaviour

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	27	4	8.6

Sept. 2016 (Paper - III)

1. Identify the universal buying motives from the following :
(a) Profit or gain
(b) Beauty and Complexion
(c) Fear of loss
(d) Competition and Struggle
(e) Comfort and Pleasure
(f) Avoidance of Pain
(g) Love and Affection
(h) Pride and Prestige
Codes :
(1) (a), (b), (c), (d), (e) and (f)
(2) (a), (c), (d), (e), (g) and (h)
(3) (a), (c), (e), (f), (g) and (h)
(4) (a), (b), (c), (f), (g) and (h)

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	54	3	8.6

Nov.- 2017 (Paper - III)

1. A research technique used particularly in retailing (online and offline), in which consumers are recruited by researchers to act as anonymous buyers in order to evaluate customer satisfaction, service quality and customer's own evaluation of their experiences, is known as :

(1) Consumer Jury
(2) Projective Technique
(3) Mystery Shopping
(4) Semiotic Research

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	48	3	8.6

July- 2018 (Paper - II)

1. The tangible goods for which a consumer wants to compare quality, price and perhaps style
in several stores before making a purchase are called :
(1) Convenience Goods
(2) Shopping Goods
(3) Speciality Goods
(4) Unsought Goods

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	37	2	8.6

Sub Unit - 7:

SERVICE MARKETING

…………………………………………………………………………………………………..

Definition of Service Marketing: Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability. The American Marketing Association defines services as activities, benefits, or satisfactions that are offered for sale or provided with sale of goods to the customer, that is, pre-sale and after-sales services. Berry states, 'while a product is an object, devise or physical thing, a service is a deed, performance, or an effort'.

Features of Services:

- ***Intangibility:*** A physical product is visible and concrete. Services are intangible. The service cannot be touched or viewed, so it is difficult for clients to tell in advance what they will be getting. For example, banks promote the sale of credit cards by emphasizing the conveniences and advantages derived from possessing a credit card.
- ***Heterogeneity (or variability):*** Services involve people, and people are all different. There is a strong possibility that the same enquiry would be answered slightly differently by different people (or even by the same person at different times). It is important to minimize the differences in performance (through training, standard setting and quality assurance). The quality of services offered by firms can never be standardized.
- ***Perishability:*** Services have a high degree of perishability. Unused capacity cannot be stored for future use. If services are not used today, it is lost forever. For example, spare seats in an aeroplane cannot be transferred to the next flight. Similarly, empty rooms in five-star hotels and credits not utilized are examples of services leading to economic losses. As services are activities performed for simultaneous consumption, they perish unless consumed.
- ***Changing demand:*** The demand for services has wide fluctuations and may be seasonal. Demand for tourism is seasonal, other services such as demand for public transport, cricket field and golf courses have fluctuations in demand.
- ***Pricing of services:*** Quality of services cannot be standardized. The pricing of services are usually determined on the basis of demand and competition. For example, room rents in tourist spots fluctuate as per demand and season and many of the service providers give off-season discounts.

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

Problems in Marketing Services:

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

Previous Year Question

June- 2015 (Paper - II)

1. The service marketing mix is an extended marketing mix and includes:

a) People c) Service

b) Process d) Physical evidence

Codes:

1. ii, iii, and iv
2. i, ii, and iii
3. i, ii, and iv
4. i, iii, and iv

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	26	3	8.7

Sub Unit - 8

TRENDS IN MARKETING

………………………………………………………………………………………………..

8.8.1 Social Marketing

Meaning: Social marketing is the systematic application of marketing along with other concepts and techniques to achieve specific behavioural goals for a social good. For example, this may include asking people not to smoke in public areas, asking them to use seat belts or prompting to make them follow speed limits.

The primary aim of social marketing is 'social good', whereas in commercial marketing the aim is primarily 'financial'. This does not mean that commercial marketers cannot contribute to achievement of social good.

Applications of Social Marketing:

1. Health promotion campaigns in India, especially in Kerala and AIDS awareness programmes are largely using social marketing, and social workers are largely working for it. Most of the social workers are professionally trained for this particular task.
2. Anti-tobacco campaigns.
3. Anti-drug campaigns.
4. Anti-pollution campaigns.
5. Road safety campaigns.
6. Anti-dowry campaigns.
7. Protection of girl child campaign.
8. Campaign against the use of plastic bags.
9. Green marketing campaign.

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

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

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

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

8.8.2 Online Marketing

Definition: Cyber marketing is one of the options for direct marketing. It is also known as online marketing, e (electronic)-marketing, e-commerce, Internet marketing, or, simply, Net marketing. Cyber marketing is the latest marketing development.

Cyber marketing concerns with information technology. The main purpose is to exchange information. So, we can define it as: Cyber marketing is an integrated form of Internet technology and direct marketing, used to find out profitable customers and develop rich contacts with them. Through contacts, one can know who, when, why, and with which conditions want to deal with business firm.

In short, it can be defined as: Cyber marketing is a system or arrangement of conducting marketing transactions through Internet Technology.

Online Marketing Activities: Online marketing involves following activities:

1. Collecting information (marketing research),
2. Sending information and promoting products,

Evaluation and selecting the right products,

4. Requesting quarries, seeking guidance and clarifications,
5. Lodging complaints,
6. Placing orders or making transactions – buying and selling,
7. Billing and paying,
8. Building, maintaining, and improving relationships with customers and other publics, etc.

Applicability:

1. Buying and selling goods via Internet.
2. Downloading (sending/receiving) needed programmes or software
3. Medical profession (health care online)
4. Research (investigation) and development activities.
5. Online propaganda of political, social, or religious affairs.
6. Online advertising, publicity, and public relations.
7. Friendship and matrimonial related activities.
8. Banking, insurance, communication, transportation, etc., transactions.
9. Online emergency (fire brigade, police, and medical) services.
10. Investment (stock market -primary and secondary market, mutual fund, commodity market, savings, etc.)
11. Online education, training, and counseling.
12. Online examination (written tests or oral tests) and evaluation.
13. Online publications of books and articles (e-books and e-articles).
14. Travels and hotels (booking hotels and buying tickets of airways, railways, roadways, or seaways).
15. Entertainment (movies on demand, Internet games, online contests, and such other ways of entertainment).

8.8.3 Green Marketing

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

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

Basically, green marketing concerns with three aspects:

1. Promotion of production and consummation of pure/quality products,
2. Fair and just dealing with customers and society, and
3. Protection of ecological environment.

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

Impacts or Importance of Green Marketing:

Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

1. Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.
2. Reducing use of plastics and plastic-based products.
3. Increased consumption of herbal products instead of processed products.
4. Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.
5. Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.
6. Worldwide efforts to recycle wastes of consumer and industrial products.
7. Increased use of herbal medicines, natural therapy, and Yoga.
8. Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and seas from pollutions.

9. Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organisations of several countries have formulated provisions for protecting ecological balance.
10. More emphasis on social and environmental accountability of producers.
11. Imposing strict norms for pollution control. Consideration of pollution control efforts and eco-technology in awarding IS), ISO 9000, or ISO 14000 certificates and other awards.
12. Declaration of 5th June as the World Environment Day.
13. Strict legal provisions for restricting duplication or adulteration.
14. Establishing several national and international agencies to monitor efforts and activities of business firms in relation pollution control and production of eco-friendly products.

8.8.4 Direct Marketing

Definition of Direct Marketing: The Direct Marketing Association defines the term as: "Direct Marketing is an interactive marketing system that uses one or more advertising media to effect measurable response and/ or transaction at any location." E (electronic)-commerce and Electronic market provide a support to describe needed products and services, allow buyers to search information and make queries, identify products they need and want, and place order using credit card. The product is then delivered physically to the customer at home or office (in case of software, it is send electronically to a customer's computer).
Methods/Channels of Direct Marketing: Different methods are used for direct marketing. These methods are used for getting information, sending orders, or lodging complaints.
Most widely used methods for direct marketing involve:
1. Selling products by sales force or face-to-face selling.
2. Face-to-face selling at company's showrooms or retail outlets.
3. Direct mail to company for ordering or information (direct mail marketing).
4. Fax mail or E-mail to company for placing order or getting information
5. On-line marketing/cyber marketing. Connecting PCs with websites for dealings.
6. M-mail (mobile mail) or MMS/SMS through mobile phone.
7. Kiosk marketing (customer-order-placing machines). Electronic Kiosk provides needed information to customers and accepts orders from customers.
8. Automatic vending machine (for products like cold drinks, cigarette, travel tickets, candy, coffee, money etc.)
9. Telemarketing and voice mail, etc.

8.8.5 Rural Marketing

Definition of Rural Marketing: In more specific words: Rural marketing is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

Importance of Rural Marketing

- ***Reduced Burden on Urban Population:*** Rural marketing can contribute to rural infrastructure and prosperity. People can also live comfortably in villages due to availability of all goods and services in villages, even comparatively at low price. People, due to growth of marketing activities, can earn their livelihood in rural places. Population pressure on urban can be reduced.
- ***Rapid Economic Growth:*** Naturally, marketing acts as catalyst agent for economic growth. There exists more attractive business opportunities in rural than urban. Rural market is more potential for consumer durables and services. Rural population largely depends on agriculture and it can contribute nearly 50% to total national income. Agriculture enjoys significant portion in export business, too. Rural marketing improves agricultural sector and improved agricultural sector can boost whole economy of the country.
- ***Employment Generation:*** At present, nearly 70% of total Indian population feeds on agricultural activities in rural areas. Rural marketing can generate more attractive employment opportunities to rural and urban people. Growth of rural marketing leads to increased business operations, professional activities, and services that can generate a lot of employment opportunities.
- ***Improved Living Standard:*** Due to rural marketing system, rural buyers can easily access needed standard goods and services at fair prices. In the same way, rural marketing improves rural infrastructure. Additionally, rural marketing can also improve their income. These all aspects can directly improve living standard.
- ***Development of Agro-based Industries:*** Rural marketing leads to set up agro-based processing industries. Fruits, vegetables, cereals, pulses, etc., are used as raw-materials. Such industries can improve farmers' profit margin and employment opportunities.
- ***Optimum Utilization of Rural Untapped Resources:*** There are unlimited businesses opportunities exist in rural areas. Untapped and underutilized resources can be utilized at optimum level and that can further accelerate overall economic growth.
- ***Easy Marketability of Agricultural Produces:*** Growth of rural marketing improves whole marketing system. Multiple options are available to farmers and local producers to market their products. Big domestic corporate houses and multinational companies prefer to buy agricultural products directly from villages by their own or through agents and small firms. Rural producers can sell their produces easily at satisfactory prices. Their improved income level can improve their purchasing power that can further fuel to industrial demand.
- ***Improved Rural Infrastructures:*** Rural marketing and basic infrastructures go hand to hand. Growth of rural marketing leads to improved transportation, insurance, banking, communication, entertainment, and other facilities. Due to availability of basic infrastructural facilities, business units can easily reach the target rural buyers.

- ***Price Stability:*** Marketing results into better transportation, warehouses, and communication facilities. Agricultural products can be systematically marketed throughout the year. Huge gap between demand and supply can be avoided and, as a result, prices of most of commodities remain more or less stable.
- ***Quality of Life and Reduced Crime:*** Marketing can refine entire living style and system. Better quality products at reasonable price, improved income level, availability of facilities, etc., have direct positive impacts on quality of life. Quality of life improves and level crime reduces.
- ***Balanced Industrial Growth:*** The gap between rural and urban development can be reduced gradually. Rural development improves rural life and reduces pressure on urban life.
- ***Others:*** Apart from these points, there are a number of ways that rural marketing can significantly contribute to economic and social development.

Characteristics of Rural Marketing

- ***More Prospective:*** With the initiation of various rural development programmes, there has been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.
- *Size:* The rural market in India is vast and scattered, and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions, and thereby, the maximum number of consumers. Rural market is account for about 74% of total Indian population.
- *Nature:* The social status of the rural regions is precarious (uncertain) as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment (obstacle) in the progression of this sector.
- *Response to Products:* Product-related features of rural segment are:

  i. Rural markets (buyers) believe in product utility rather than status and prestige. However, they like novel products with distinctive features.

  ii. Most village customers consider tastes rather than usefulness in long run.

  iii. They like simple and long-life products. They are interested in immediate results. Products must offer immediate benefits.

  iv. They respond to those products that suit their religious faith, and social norms and customs.

  v. They ask for such products which can assists in their traditional occupations and life style.

  vi. They have minimum urge for individuality. They prefer family-used products than personal- used products.

  vii. They strongly prefer such products that can change and improve their life-style.

viii. They are less concerned with product services associated with products like after-sales services, guarantee and warrantee, home delivery, and other similar services. Branding, packaging, and labeling have less influence compared to urban segments.

- *Response to Price:* Price-related features of rural segments include:

  i. Rural customers are price-sensitive and highly influenced by level of pricing. Price is the strongest factor that affects their buying decision.

  ii. They buy those products which are low in price and medium in quality.

  iii. They are easily attracted by price discounts and rebates.

  iv. They prefer credit facility. They normally have strong desire to postpone payment for certain period.

  v. Some middle class rural customers are attracted by installment and loan facility.

- *Response to Promotion:* Promotion-related features of rural segment include:

  i. Rural customers are highly attracted by local and regional promotional efforts.

  ii. Their reference groups consist of educated and non-educated family members and relatives living in urban areas and foreign countries as well.

  iii. Personal selling seems more influential to convince rural mass.

  iv. They are attracted by such sales promotional tools or articles which are useful in their routine life such as knife, gas lighter, rings, key-chains, caps, photos of local actors, calendars and cards with religious impression, etc.

  v. They have a strong faith on local religious and spiritual leaders. Such leaders are among the most influential reference groups.

  vi. Publicity efforts related to local vocational and agricultural activities can impress them.

  vii. They can be appealed by visual or pictorial advertisements published in local and regional languages.

- *Response to Distribution:* Distribution-related features of rural segment include:

  i. Normally, they buy from familiar retailers and salesmen. They are hesitant to buy from big shopping malls or departmental stores. However, situation is changing gradually.

  ii. Rural customers strongly favour relations. They continue buying from known and established retailers who maintain close family relations with them.

  iii. Mostly they buy from retail outlets situated in rural or sub-urban areas. However, some rural customers like to buy products from nearby cities also.

  iv. Normally they place frequent orders of small in size. They lack storage facilities.

  v. They are not interested in home-delivery. They want immediate possession. They lack patience. They are found eager to possess and use the products immediately.

  vi. Caste, religion, political party, relations, etc., play important role in selecting the retailers.

vii. Online and direct marketing are not much popular in rural areas. Sometimes, a few of them are interested in network marketing.

- ***Predictability:*** Unlike urban markets, the rural markets are difficult to predict, and possess special characteristics. The featured population is predominantly illiterate, have low and irregular income, lack of monthly income, and flow of income fluctuating with the monsoon winds. They don't have a stable pattern of reacting due to income factors.
- ***Role of Government:*** Demand of products depends on availability of basic facilities like electricity, transportation, schools, hospitals, etc. The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses. Rural market depends on government's contribution to the rural sector.
- *Rigidity:* Most rural customers are illiterate, backward, and orthodox. It is very difficult to convince them to buy the products. They believe in the present and lack ambitions.
- *High Level of Heterogeneity:* We find different types of buyers in rural areas. Some are simple, while some are sophisticated; some are extreme rich, while some are extreme poor; some are highly educated, while some are complete illiterate; some are dynamic and modern, while some are very rigid and orthodox; some believe in quality and status, while some believe in availability and price.

Rural customers are gradually transforming into urban, metropolitan, and even cosmopolitan customers. Improved education, rapid means of transportation, access to advance communication, raised living standards, craze to follow modern (even ultramodern) life pattern, and many similar factors have drastically changed rural consumer behaviour. The gap between urban and rural segments tends to be notably narrow. Sometimes, rural and urban customers exhibit no difference at all.

Problems of Rural Marketing

- ***Wide and Scattered Market:*** Wide and scattered market is difficult to reach in both the aspects – promotion and distribution. Rural India is spread in the entire county in around 6 lakhs villages of different sizes while urban population is concentrated in around 3200 cities. Most of villages are extremely small with population less than 500 people. Only one percent (6300) villages have a population of more than 5000. It is challenging tasks to choose target markets and to serve them effectively.
- ***Problem of Designing Products:*** Products sold successfully in urban markets, may not necessarily be successful in the rural markets due to difference in utility value of the products. Mind-set of rural segments seems quite astonishing and different. Existence of considerable heterogeneity among rural folks poses challenges for marketers to incorporate their uneven expectations in the products.

- ***Transportation Bottleneck:*** Transportation is the nerve centre for any type of business. Most of villages are not properly connected with main roads. Every year during monsoon thousands of villages are disconnected for a longer time. Lack of proper transportation hinders marketing activities. Agro-based products cannot be sent to marketing centers, and industrial products cannot be supplied to rural population safely in time. In certain areas, even construction of road or railway is difficult to construct and maintain.
- ***Seasonal and Irregular Demand:*** Rural demand is characterized as seasonal and irregular. So, companies cannot concentrate on rural segments as it is difficult to plan. In the same way, demand depends on income of rural customers, and income is quite uncertain because they depend on agriculture, and agriculture depends on monsoon.
- ***Uncertain and Unpredictable Market:*** Market response is difficult to scale. They don't have stable and predicted behaviour. In such a situation, the effective marketing strategies do not make a sense. Rapid changes are difficult to incorporate and, hence, there are more chances to suffer. Overwhelming response of rural population to some products experiences sudden fall. Market planning remains ever challenging in rural segments.
- ***Low Living Standards:*** Rural customers have low income, low purchasing power, low literacy rate, and, therefore, low standard of living. But, picture is now changing and marketers can have better opportunities than ever. Low standard of living restricts their buying ability and pace of adopting products.
- ***Lethargic Life Style:*** Lack of desire for a new life style is most critical issue for a marketer. They cannot be easily convinced to try, use and adopt certain products with better qualities and innovative features Product modification does not create desirable and positive effects on rural folks. Customs, established beliefs, superstitions, etc., restrict their behaviour. Unfortunately, their opinion leaders lack scientific approach. Innovative and superior products are difficult to be introduced successfully in rural areas.
- ***Language Problem:*** Language is a main constrains in communication strategies. Multiplicity of languages spoken in rural areas makes marketing activities difficult. Languages differ from state to state, and area to area in the same state. While designing advertising, personal selling, and publicity strategies, marketers cannot fulfill linguistic expectation of all rural people. Promotion programme always lacks versatility.
- ***Urban Marketers v/s Rural Customers:*** The executives in companies cannot understand the consumer psychology of rural markets. Lack of awareness and understanding about consumer behaviour in rural markets create problems in formulating marketing strategies. Rural and urban customers significantly differ

in terms of habits, tastes, uses, preferences, and other such aspects. So, any attempt to satisfy rural customers with urban mind (marketing executives born and brought-up in urban climate) results into vain endeavor.

- ***Backwardness:*** Rural customers are economically backward. More than 30 per cent of the rural masses live below the poverty line. Poverty confines them to spend even for basic necessities. Backwardness also affects their mentality to change. Their poor purchasing power and rigidity are main constraints for marketers to serve them.
- ***High Inventory Costs:*** Since rural demand is limited and uncertain, an effective inventory management is difficult. Besides, the retailers serving in rural areas don't have adequate knowledge and aptitude to decide optimum inventory. Unnecessary stocks cut their profit margin, and they lose customers in case of inadequate stocks.
- ***Inadequate Marketing Support:*** Normally, producers and wholesalers do not extend full support to rural retailers in terms of liberal credit, financial assistance, and other facilities that they offer to traders of urban areas. In same way, rural customers and retailers are not given adequate space in designing overall marketing programme.
- ***Other Problems:*** Over and above these problems, there are many minor and major difficulties that rural marketers have to face. It is not possible to discuss them in detail.

8.8.6 Customer Relationship Management (CRM)

Meaning and Definition: Customer satisfaction has always been a key element in the pursuit of corporate goals and objectives. However, the current competitive environment fostered by liberalization and globalization of the economy and the rising customer expectations for quality, service and value have promoted many companies to organize their business around the customers they serve, rather than around the product lines or geographic business units.

Customer relationship management (CRM) first gained prominence in the early 1990s. It refers to the holistic approach that organizations can take to manage their relationships with their customers, including policies related to contact with customers, collecting, storing, analysing customer information, and the technology needed to perform these tasks.

According to Philip Kotler and Gary Armstrong, 'CRM is concerned with managing detailed information about individual customers and all customer "touch points" to maximize customer loyalty. It can also be defined as, 'an alignment of strategy, processes and technology to manage customers, and all customer-facing departments and partners'. In short, CRM is about effectively and profitably managing customer relationships through the entire life cycle.

CRM helps in providing better service to the customers and developing effective customer relationships. CRM integrates everything that a company's sales, services and marketing teams know about the individual customers to get a 360-degree view of the customer relationship.

The aim of CRM is to build customer equity; customer equity is the sum of lifetime values of all the customers. CRM analysts develop data warehouses and use data-mining techniques to develop and maintain long-lasting relationships with the valuable customers.

A data warehouse is a company-wide electronic database of detailed customer information. The purpose of data warehouse is not just to gather information but also to place it into a central location for easy access. Once the data warehouse locates the data at a central place, the data analysts use the data-mining techniques to examine the mounds of data to find out interesting facts about the customers.

Need and Importance of CRM:

- ***Better service to customers:*** CRM provides more avenues for customers to communicate and explain their needs to the organization through numerous contact points. Customers get increased satisfaction and a feeling of being special and important because of the increased personalization of services and customization of goods offered to them.
- ***Customization of market offerings:*** Companies can customize a product or service depending on the data available with the firm. The firm can facilitate customer-company interaction through the company contact centre and web site. Such interactions help develop customized products.
- ***Reduction in the customer defection rate:*** CRM emphasizes on training and development of the employees to become more customer oriented. Due to CRM training and development, employees show care and concern towards the valuable customers; therefore, the customer defection rate may be reduced to a great extent.
- ***Increase and improvement in long-term relationships:*** Some firms treat their customers as partners. Firms solicit the help of the customers to design new products or to improve their services. If the customer gets involved with the firm, they are more likely to remain with the firm.
- ***Increase in customer equity:*** CRM increases customer equity. Firms focus the marketing efforts more on the most valuable customers (MVCs). The main aim of CRM is to produce high customer equity. Customer equity is the sum of lifetime values of all customers. More focus on MVCs will enable a firm to increase the customer equity.
- ***Competitive advantage:*** The firms that adopt CRM get competitive advantage in the market. They can face the competition with much ease. Competitive advantage helps in generating higher returns on investment.
- ***Building and maintaining corporate image:*** The image of the firm also gets enhanced. Loyal customers become evangelists. The evangelists spread a good word about the company and its products. This enables a firm to get additional customers to its fold.
- ***Higher return on investment:*** Due to CRM, a company gains a position to generate higher returns on investment. This is because of the repeat purchases on the part of the

loyal customers. The company also makes money through cross selling. The higher return on investment increases the shareholders' value.

Techniques of Building CRM: Firms use a number of techniques to build, maintain and enhance CRM. The techniques include the software programmes, promotional techniques, pricing strategies, MVC programmes, and so on.

Some of the techniques have been discussed in detail.

- *Data Warehousing nd Data Mining:* CRM analysts develop data warehouses and use data-mining techniques to develop and maintain long- lasting relationships with the valuable customers.

  A data warehouse is a company-wide electronic database of detailed customer information. The purpose of data warehouse is not just to gather information, but to place it into a central location for easy access.

  Once the data warehouse locates the data at a central place, the data analysts use data mining techniques to examine the mounds of data to find out interesting facts of the customers.

  The mined data can be utilized for various marketing decisions such as the following:

  1. Product design and modification
  2. Product pricing
  3. Promotion mix
  4. Selection of channels of distribution
  5. Maintaining dealer relationships.

- *One-to-one Marketing:* Some firms adopt one-to-one marketing strategy. Such firms treat their customers as partners, especially in the case of B2B markets firms solicit the help of customers to design new products or to improve their services. If the customer gets involved with the firm, then they are more likely to remain with the firm.

- *Loyalty Programmes:* Firms may use variety of loyalty programmes to retain customers. For example, airlines may offer special discount for frequent fliers. Firms may also provide gifts and other benefits to the loyal customers. But it is to be noted that all loyal customers need not be profitable, and all profitable customers need not be loyal.

  Therefore, the firm must be selective. In order to enhance marketing efficiency, a firm has to find out which of its customers are worth retaining and which are not, and which customers should be given extra care and attention. In other words, the firm has to determine the value of its customers, and focus on MVCs accordingly.

- *Priority Customer Programmes:* Some firms introduce priority customer programmes. The priority customers are the MVCs. They are given priority in after-sales service, delivery and resolving complaints. The priority customer programmes are followed by several organizations, especially in the banking industry.

Features of Customer Relationship Management (CRM)

1. **Customers Needs-** An organization can never assume what actually a customer needs. Hence it is extremely important to interview a customer about all the likes and dislikes so that the actual needs can be ascertained and prioritized. Without modulating the actual needs it is arduous to serve the customer effectively and maintain a long-term deal.
2. **Customers Response-** Customer response is the reaction by the organization to the queries and activities of the customer. Dealing with these queries intelligently is very important as small misunderstandings could convey unalike perceptions. Success totally depends on the understanding and interpreting these queries and then working out to provide the best solution. During this situation if the supplier wins to satisfy the customer by properly answering to his queries, he succeeds in explicating a professional and emotional relationship with him.
3. **Customer Satisfaction-** Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. In today's competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.
4. **Customer Loyalty-** Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction. Hence, customer loyalty is an influencing aspect of CRM and is always crucial for business success.
5. **Customer Retention-** Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.
6. **Customer Complaints-** Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to launch a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are launched due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the supplier regarding any product or service. Handling these complaints to ultimate satisfaction of the customer is substantial for any organization and hence it is essential for them to have predefined

set of process in CRM to deal with these complaints and efficiently resolve it in no time.

7. **Customer Service-** In an organization Customer Service is the process of delivering information and services regarding all the products and brands. Customer satisfaction depends on quality of service provided to him by the supplier. The organization has not only to elaborate and clarify the details of the services to be provided to the customer but also to abide with the conditions as well. If the quality and trend of service go beyond customer's expectation, the organization is supposed to have a good business with customers.

Advantages of Customer Relationship Management

- Enhances Better Customer Service.
- Facilitates discovery of new customers.
- Increases customer revenues.
- Helps the sales team in closing deals faster.
- Enhances effective cross and up selling of products.
- Simplifies the sales and marketing processes.
- Makes call centers more efficient.
- Enhances customer loyalty.
- Builds up on effective internal communication.
- Facilitates optimized marketing.

Previous Year Question

June 2015 (Paper - II)

1. Which of the following is not a type of direct marketing?
1) Direct Mail Marketing
2) Retail Marketing
3) Telemarketing
4) E-mail Direct Marketing

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	29	2	8.8.4

Sept. 2016 (Paper - III)

1. Which form of e-market place brings together buyers and sellers from the same industry ?
(1) Horizontal
(2) Vertical
(3) Integrated
(4) Inclined

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	53	2	8.8.2

Nov.- 2017 (Paper - III)

1. Which of the following is not a major aspect of digital marketing ?
(1) Jurisdiction
(2) Ownership
(3) Security
(4) Entertainment

Answer with Reference

SL. NO.	QUESTION NO.	ANSWER	REFERENCE NO.
1.	51	4	8.8

Sub Unit - 9:

LOGISTIC MANAGEMENT

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Concept of Logistics Management: Logistics management consists of the process of planning, implementing and controlling the efficient flow of raw-materials, work-in-progress and finished goods and related information-from point of origin to point of consumption; with a view to providing satisfaction to the customer.

Classification of Logistical Activities: Logistics (or Logistical Activities) may be broadly classified into two categories:

- **Inbound logistics;** which is concerned with the smooth and cost effective inflow of materials and other inputs (that are needed in the manufacturing process) from suppliers to the plant. For proper management of inbound logistics, the management has to maintain a continuous interface with suppliers (vendors).
- **Outbound logistics** (also called physical distribution management or supply chain management); is concerned with the flow of finished goods and other related information from the firm to the customer. For proper management of outbound logistics, the management has to maintain a continuous interface with transport operators and channels of distribution.

Significance (or Objectives) of Logistics Management: Logistics management is significant for the following reasons:

- *Cost Reduction and Profit Maximization:* Logistics management results in cost reduction and profit maximization, primarily due to:
  1. Improved material handling
  2. Safe, speedy and economical transportation
  3. Optimum number and convenient location of warehouses etc.
- *Efficient Flow of Manufacturing Operations:* Inbound logistics helps in the efficient flow of manufacturing operations, due to on-time delivery of materials, proper utilization of materials and semi-finished goods in the production process and so on.
- *Competitive Edge:* Logistics provide, maintain and sharpen the competitive edge of an enterprise by:
  1. Increasing sales through providing better customer service
  2. Arranging for rapid and reliable delivery
  3. Avoiding errors in order processing; and so on.
- ***Effective Communication System:*** An efficient information system is a must for sound logistics management. As such, logistics management helps in developing effective communication system for continuous interface with suppliers and rapid response to customer enquiries.

- ***Sound Inventory Management:*** Sound inventory management is a by-product of logistics management. A major headache of production management, financial management etc. is how to ensure sound inventory management; which headache is cured by logistics management.

Key Activities Involved in Logistics Management: Following is a brief account of key activities involved in logistics management:

- **Network Design:** Network design is one of the prime responsibilities of logistics management. This network is required to determine the number and location of manufacturing plants, warehouses, material handling equipment's etc. on which logistical efficiency depends.
- Order Processing: Customers' orders are very important in logistics management. Order processing includes activities for receiving, handling, filing, recording of orders. Herein, management has to ensure that order processing is accurate, reliable and fast. Further, management has to minimize the time between receipt of orders and date of dispatch of the consignment to ensure speedy processing of the order. Delays in execution of orders can become serious grounds for customer dissatisfaction; which must be avoided at all costs.
- **Procurement:** It is related to obtaining materials from outside suppliers. It includes supply sourcing, negotiation, order placement, inbound transportation, receiving and inspection, storage and handling etc. Its main objective is to support manufacturing, by providing timely supplies of qualitative materials, at the lowest possible cost.
- **Material Handling:** It involves the activities of handling raw-materials, parts, semi-finished and finished goods into and out of plant, warehouses and transportation terminals. Management has to ensure that the raw-materials, parts, semi-finished and finished goods are handled properly to minimize losses due to breakage, spoilage etc. Further, the management has to minimize the handling costs and the time involved in material handling.

  Material handling systems, in logistics management are divided into three categories:

  1. Mechanized systems
  2. Semi-automated systems
  3. Automated systems
- Inventory Management: The basic objective of inventory management is to minimize the amount of working capital blocked in inventories; and at the same time to provide a continuous flow of materials to match production requirements; and to provide timely supplies of goods to meet customers' demands.

  Management has to maintain inventories of:

  1. Raw-materials and parts
  2. Semi-finished goods
  3. Finished goods

Management has to balance the benefits of holding inventories against costs associated with holding inventories like – storage space costs, insurance costs, risk of damage and spoilage in keeping stocks etc.

- Packaging and Labeling: Packaging and labeling are an important aspect of logistics management. Packaging implies enclosing or encasing a product into suitable packets or containers, for easy and convenient handling of the product by both, the seller and specially the buyer.

  Packaging facilities the sale of a product. It acts as a silent salesman. For example, a fancy and decorative packaging of sweets, biscuits etc. on the eve of Diwali, makes for a good sale of such items.

  Labeling means putting identification marks on the package of the product. A label provides information about – date of packing and expiry, weight or size of product, ingredients used in the manufacture of the product, instructions for sale handling of the product, price payable by the buyer etc.

  Labeling is a strong sales promotion tool. The consumer who is persuaded to read the label may, in fact, try to buy the product; even though he/she had no such premeditation (advance idea).

- Warehousing: Storage or warehousing is that logistical activity which creates time utility by storing goods from the time of production till the time these are needed by ultimate consumers.

  Here, the management has to decide about:

  1. The number and type of warehouses needed and
  2. The location of warehouses.

  The above two decisions depend on the desired level of customer service and the distance between the supply source and final destination i.e. markets.

- Transportation: Transportation is that logistical activity which creates place utility. Transportation is needed for:

  1. Movement of raw-materials from suppliers to the manufacturing unit.
  2. Movement of work-in-progress within the plant.
  3. Movement of finished goods from plant to the final consumers.