

# Preface

We are pleased to present the book of "Commerce - V (Marketing)" Semester - V for the students of T.Y.B.Com. of the University of Mumbai. The book is written as per the Revised Syllabus w.e.f. the academic year June 2018.

This book is presented in four modules. The book is specifically written as per the syllabus prescribed by the University of Mumbai. Basic elements of marketing are covered in this book. The various aspects include importance and concepts of marketing, consumer behaviour, market segmentation, marketing mix elements, and recent trends in marketing including digital marketing and green marketing.

This edition prepares the students appearing for the T.Y.B.Com. examination conducted by the University of Mumbai in the subject of Commerce - V (Semester V) for excellent performance.

Students of other courses can also benefit from this book as it covers the basic aspects of marketing.

We would like to thank the teaching faculty of several colleges affiliated to the University of Mumbai for their encouragement and support. In particular, we are grateful to the following members of the teaching faculty:

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*Special thanks to Shri Nitin Amrutlal Shah and the staff at Manan Prakashan, especially Miss Deepa Gangar for their sincere efforts in bringing out this edition.*

*Constructive comments from students and from teaching community regarding the contents of this book are sincerely encouraged and appreciated.*

# Syllabus

- 1. Introduction to Marketing (12 Lec.)**
  - Marketing, Concept, Features, Importance, Functions, Evolution, Strategic v/s. Traditional Marketing
  - Marketing Research - Concept, Features, Process  
Marketing Information System - Concept, Components  
Data Mining - Concept, Importance
  - Consumer Behaviour - Concept, Factors Influencing Consumer Behaviour  
Market Segmentation - Concept, Benefits, Bases of Market Segmentation  
Customer Relationship Management - Concept, Techniques  
Market Targeting - Concept, Five Patterns of Target Market Selection
- 2. Marketing Decisions - I (11 Lec.)**
  - Marketing Mix - Concept  
Product - Product Decision Areas  
Product Life Cycle - Concept, Managing Stages of PLC  
Branding - Concept, Components  
Brand Equity - Concept, Factors Influencing Brand Equity
  - Packaging - Concept, Essentials of a Good Package  
Product Positioning - Concept, Strategies of Product Positioning  
Service Positioning - Importance and Challenges
  - Pricing - Concept, Objectives, Factors Influencing Pricing, Pricing Strategies
- 3. Marketing Decisions - II (11 Lec.)**
  - Physical Distribution - Concept, Factors Influencing Physical Distribution, Marketing Channels (Traditional and Contemporary Channels)  
Supply Chain Management - Concept, Components of SCM

- Promotion - Concept, Importance, Elements of Promotion Mix  
Integrated Marketing Communication (IMC) - Concept, Scope, Importance
- Sales Management - Concept, Components, Emerging Trends in Selling  
Personal Selling - Concept, Process of Personal Selling, Skill sets required for Effective Selling

#### 4. Key Marketing Dimensions (11 Lec.)

- Marketing Ethics - Concept, Unethical Practices in Marketing, General Role of Consumer Organisations  
Competitive Strategies for Market Leader, Market Challenger, Market Follower and Market Nicher Marketing Ethics
- Rural Marketing - Concept, Features of Indian Rural Market, Strategies For Effective Rural Marketing  
Digital Marketing - Concept, Trends in Digital Marketing  
Green Marketing - Concept, Importance
- Challenges Faced by Marketing Managers in 21st Century  
Careers in Marketing - Skill sets required for Effective Marketing  
Factors contributing to Success of Brands in India with Suitable Examples  
Reasons for Failure of Brands in India with Suitable Examples

# Question Paper Pattern

Maximum Marks : 100

Duration: 3 Hrs.

Questions to be Set : 06

All Questions are Compulsory Carrying 15 Marks each.

Q.No.	Particulars	Marks
Q.1	Objective Questions* (A) Sub questions to be asked 12 and to be answered any 10 (B) Sub questions to be asked 12 and to be answered any 10 (* Multiple Choice / True or False / Match the Columns / Fill in the Blanks)	20
Q.2	Full Length Question <b>OR</b>	15
Q.2	Full Length Question	15
Q.3	Full Length Question <b>OR</b>	15
Q.3	Full Length Question	15
Q.4	Full Length Question <b>OR</b>	15
Q.4	Full Length Question	15
Q.5	Full Length Question <b>OR</b>	15
Q.5	Full Length Question	15
Q.6	(A) Theory Questions (B) Theory Questions <b>OR</b>	10 10
Q.6	Short Notes To be asked 06, to be answered 04	20

**Note :** Full length question of 15 marks may be divided into two sub questions of 7/8 and 10/5 marks.

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*We express our sincere thanks to all our readers, authors and business associates for helping us in our mission of producing quality books for quality education. We wish all our young readers a brilliant success in various examinations and a bright future.*

*- Publisher*

# 1

# INTRODUCTION TO MARKETING

*"Don't find customers for your products; find products for your customers - Seth Godin*



- **Marketing**
  - *Concept and Features*
  - *Importance*
  - *Functions*
  - *Evolution*
  - *Strategic v/s Traditional Marketing*
- **Marketing Research & MIS**
  - *Concept and Features*
  - *Process*
  - *MIS - Concept*
  - *Components of MIS*
  - *Data Mining: Concept - Importance*
- **Consumer Behaviour**
  - *Concept - Factors Influencing*
  - *Marketing Segmentation : Concept - Benefits*
  - *Bases of Market Segmentation*

- CRM : Concept - Techniques
  - Market Targeting : Concept - 5 Patterns of Target Market Selection
- 

## MARKETING

**Marketing** is a vital functional area of a business organisation. The success of a business organisation largely depends on the performance of marketing department. Marketing is instrumental to create demand for the firm's products.

Apart from creating demand, effective marketing generates *customer satisfaction*, enhances *corporate image*, enables the firm to gain *competitive advantage*, maintains *customer relationship*, develops *brand image*, enhances *brand equity*, sustains *brand loyalty*, facilitates *business expansion*, and so on.

## DEFINITIONS

1. Philip Kotler and Others in their book on 'Marketing Management' (A South Asian Perspective) 2013 edition define "*Marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*"
2. Chartered Institute of Marketing (UK) defines "*Marketing is the management process of identifying, anticipating and satisfying customer requirements profitably.*"
3. In 2004, American Marketing Association defined "*Marketing is an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.*"

4. In 2008 American Marketing Association gave a broader definition of Marketing as follows: "*Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.*"

*Note: Students may select one or two definitions for examination purpose.*

## NATURE AND FEATURES OF MARKETING

The main features of Marketing are stated as follows:



### 1. Systematic Process:

Marketing is a systematic process of identifying customer needs and wants; and satisfying them by designing and delivering the right products.

The marketing process involves:

- Designing the *product* as per customer requirements.
- Fixing the right *price*.
- Effective *promotion* of product.
- Distributing the products at the right *place*.

The marketing process is undertaken to achieve organisational objectives (profits, market share, etc.), and to generate customer satisfaction.

The marketing process is **continuous in nature**. It starts with marketing research and after the sale, it continues with customer feedback and after-sale-service. There is a constant need to monitor customer needs and satisfaction.

## **2. Ideas, Goods and Services:**

Marketing is undertaken to design and sell goods and services, as well as ideas.

- (a) Marketers design and distribute *tangible goods* like FMCG products and consumer durables.
- (b) Marketers sell *intangible services* such as that of banks, airlines, hotels, insurance, etc.
- (c) Also, *ideas* are marketed by social and Govt. organisations, which includes campaigns relating to anti-drugs, AIDS awareness, anti-corruption, etc.

In fact, every market offering includes a basic idea. A marketer of a face cream sells the idea of a beautiful person and that of a soft drink sells the idea of refreshment. **Charles Revson** of Revlon remarked: "*In the factory, we make cosmetics; in the store we sell hope.*"

## **3. Target Markets:**

Marketing is concerned with target markets. One cannot sell everything to everyone or anything to anyone. Therefore, marketers have to be selective in deciding the target market or buyers.

*A marketer needs to design goods and services to a particular target segment or market. For example, a marketer cannot sell a particular model of car to all prospective buyers. He has to design different models to different segments of the market depending upon their income, status, preferences, etc.*

#### 4. All Pervasive:

The process of marketing is applicable not only to business organisations but also to non-business organisations.

For example, an educational institution may adopt marketing approach to:

- Offer the right courses (*product*).
- Charge the right fees (*price*).
- Promote the courses (if so required).
- Provide the courses at the right *place*.

#### 5. Marketing Environment:

Marketing is influenced by various environmental factors such as customer preferences, competitors' strategies, Government policies, international environment, economic conditions, financial climate, etc.

Marketers should actively scan the environment. For instance, a marketer must analyse the marketing-mix adopted by the competitors. Accordingly, he has to design products that offer a differential advantage to the consumers, which may bring higher returns to the firm.

#### 6. Integrated Approach:

*Marketing needs to integrate with the other functional areas of the organisation.* There is a need for integration of various departments such as finance, production, human resources, etc. All functional areas should interact and interlink to achieve the firm's overall objectives.

For instance, a decision to increase advertising would require support from the finance department. And a decision to introduce a new model requires active coordination between the production and marketing department.

#### 7. Societal Interest:

Modern marketing intends to maintain and enhance customers' and society's welfare. Marketers aims at a balance between: Profits + Customer Satisfaction + Public Interest.

For instance, professional marketers undertake research and development to develop products, which are eco-friendly and also generates customer satisfaction, and at the same time brings higher profits to the organisation. Examples of such products include fuel efficient cars, compact air conditioners, etc.

#### **8. Expansion of Business:**

Marketing facilitates expansion of the firm. Due to effective marketing, the performance of the organisation improves in terms of sales, profits and market share. Therefore, a firm may adopt expansion strategy.

For the purpose of expansion, the firm may undertake various activities such as:

- **Market Penetration** - increase in marketing activities in the existing market.
- **Market Development** - entry in new markets.
- **Product Development** - development of new products for existing/new markets.

#### **9. Organisational Objectives:**

Effective marketing enables the firm to achieve marketing objectives. The marketing objectives are as follows:

- Increase in profits.
- Increase in market share.
- Improved corporate image.
- Improved brand image.
- Enhanced brand loyalty, etc.

#### **10. Customer Satisfaction:**

Nowadays, marketers place emphasis on customer satisfaction. Customer satisfaction is the outcome of a correlation between product performance and customer expectations:

- When product performance matches with customer expectation, the customers are satisfied.

- When product performance is below customer expectation, the customers are dissatisfied.
- When product performance exceeds customer expectation, the customers are delighted.
- When product performance exceeds very much more than expectation, the customers get astonished.

Nowadays, marketers must work towards not only customer satisfaction, but they must delight the customers by offering value added services. Customer value can be enhanced by providing additional facilities at little or no extra cost, such as extension in after-sale-service and warranties, free delivery and installation, etc. If possible, marketers need to astonish customers by providing services, which are very much more than their expectations.

Federal Express has created customer value: It allows customers to track packages through the company's web site. By connecting to the FedEx site and by entering the airway bill number, customers can locate a package in transit. After the package has been delivered, they can even identify the name of the person who signed for it. This service is free of charge. This facility has enhanced the customer value and loyalty.

## **11. Competitive Advantage:**

Effective marketing helps to face competition in the market. Professional marketers are proactive in decision-making. They come up with:

- Innovative designs or models.
- Creative promotion schemes.
- Effective customer relationship techniques, etc.

The pro-active decisions give competitive advantage to the professional marketers.

## 12. Corporate Image:

Effective marketing enables a firm to develop and enhance its corporate image. With the help of effective marketing (right product, price, etc.,) a firm achieves higher performance in terms of sales, market share, and profits. As a result, corporate image improves in the minds of stakeholders such as : Customers, Dealers, Employees, Suppliers, Shareholders and others.

A good corporate image in the minds of stakeholders helps a firm to expand and grow. For instance, firms that have good corporate image:

- Develop trust and confidence of the customers.
- Get support from the shareholders and financial institutions.
- Get cooperation from dealers and suppliers, etc.

**Notes:** (1) Students may write about 8 points for 7½ marks question.  
 (2) Some of the points of importance are included in features as they are positive features.

## IMPORTANCE OF MARKETING

Effective marketing is required to generate demand for goods and services. Apart from creating demand, effective marketing generates *customer satisfaction*, enhances *corporate image*, enables the firm to gain *competitive advantage*, maintains *customer relationship*, develops *brand image*, enhances *brand equity*, sustains *brand loyalty*, facilitates *business expansion*, and so on.

The importance of marketing to *business firms* is stated as follows:

### 1. Competitive Advantage:

Effective marketing helps to face competition in the market. Professional marketers are proactive in decision-making. They come up with:

- Innovative designs or models.

- Charging competitive prices.
- Creative promotion schemes.
- Efficient after-sale-service.
- Effective customer relationship techniques, etc.

The pro-active decisions give competitive advantage to the professional marketers.

## 2. Corporate Image:

Effective marketing enables a firm to develop and enhance its corporate image. Due to effective marketing (right product, price, etc.,) the firm attains higher performance. Therefore, corporate image improves in the minds of: Employees, Customers, Dealers, Suppliers, Shareholders and other stakeholders.

A good corporate image in the minds of customers, employees, shareholders, suppliers, dealers, etc., helps a firm to expand and grow. The support of various stakeholders is required for the survival and success of the organisation.

## 3. Customer Satisfaction:

Today's marketing is customer oriented. Business firms place lot of emphasis on customer satisfaction. *Customer satisfaction is the outcome of a correlation between product performance and customer expectation:*

- When product performance is below customer expectation, the customer is *dissatisfied*.
- When product performance matches with customer expectation, the customer is *satisfied*.
- When product performance exceeds customer expectation, the customer is *delighted*.
- When product performance exceeds very much more than expectation, the customer is *astonished*.

**For Example -** In case of after-sale-service of consumer durables like AC, TV, etc.:

- When a customer does not get service, as agreed upon, or the customer gets service only after repeated reminders to the service centre, the customer gets dissatisfied. Such customer may spoil the name of the firm.
- When a customer gets after-sale-service, as agreed upon by the seller (such as servicing every 3 months during the service contract/period – without customer's reminders), the customer gets satisfied.
- When a customer gets additional service during the service period, which was not agreed upon by the seller, the customer is delighted.
- When a customer gets additional service (free of cost) beyond the service period, the customer is astonished.

#### 4. Customer Relationship:

Nowadays, it is vital to maintain excellent relationship with customers in order to maintain and enhance customer loyalty. Several marketing techniques can be adopted to maintain customer relationships which include:

- Loyalty programmes such as special discounts/gifts to loyal customers.
- One-to-one marketing.
- Priority customer programmes.
- Excellent after-sale-service.
- Satisfaction surveys, etc.

#### 5. Expansion of Business:

Marketing enables a firm to expand its business from local level to national and even at international level.

A firm can expand its business with the help of market related activities such as:

- ***Product development strategy*** – introduction of new products in the existing markets or new markets.
- ***Market development strategy*** – entering in new markets with the existing products or new products.
- ***Market penetration strategy*** – increasing marketing efforts in the current markets.

#### 6. **Economies of Scale:**

Professional marketers take proactive decisions. Therefore, there is an increase in demand for the firm's products. Increase in demand results in large scale production and distribution. As a result, the company gets economies of large scale such as:

- ***Economies of large scale production*** such as discount on bulk purchase of materials.
- ***Economies of large scale distribution*** such as freight concession due to bulk transportation.

#### 7. **Efficiency:**

Effective marketing brings higher profits. A part of the profits is spent on various activities such as :

- Research and development.
- Technology upgradation.
- Training and development, etc.

All the above activities improve efficiency of the firm, i.e., the firm gets higher returns at lower costs.

#### 8. **Organisational Objectives:**

Marketing helps to achieve organisational objectives. Systematic marketing activities such as effective product designs, pricing, promotion and distribution helps a firm to increase its sales and achieve the following objectives:

- Increase in profits

- Improved brand image.
- Increase in market share.
- Improved corporate image.
- Enhanced customer loyalty, etc.

#### **9. Optimum Use of Resources:**

Due to effective marketing, the company gets higher demand for goods/services. Increase in demand leads to higher production and distribution. Therefore, a firm can make optimum use of resources such as:

- Physical resources - machines, equipments, tools, etc.
- Capital resources - working capital funds and fixed capital funds.
- Manpower - managerial and non-managerial employees.

#### **10. Brand Loyalty:**

Effective marketing helps to develop brand loyalty. Brand loyalty refers to:

- Repeat purchases of the brand by satisfied/delighted customers.
- Recommendations of the brand by satisfied customers to friends, neighbours and others.

Marketing guru **Al Ries** says that customer word-of-mouth is the best alternative to advertising. He calls such customer as an *evangelist* (religious believer). This is because; loyal customers influence others to buy those brands, with which they are satisfied.

#### **11. Brand Equity:**

Marketing activities develop brand equity. Brand equity is the incremental value of a brand over and above its physical assets. Customers are willing to pay premium price for effectively marketed brands.

For instance, unique product design, excellent after-sale-service creative advertising, right pricing, and such other marketing activities enable a firm to command premium price for its brands.

### **12. Brand Image:**

Marketing activities improve brand image. Brand image is the *perception of the brand* in the minds of customers. Good brand image gives competitive edge to the firm in the market.

For instance, effective promotion-mix with the help of Publicity, Advertising, Sales Promotion, Salesmanship, etc., the firm can improve its brand image in the market. Good brand image not only generates customer loyalty, but customers are also willing to pay higher price.

### **13. Benefits to Stakeholders:**

Effective marketing brings in *higher returns* to the firm. The higher returns of the firm benefit various stakeholders:

- Employees may get high salaries and other incentives.
- Shareholders get higher dividends.
- Government gets higher tax revenue.
- Dealers may get extra incentives.
- Suppliers may get more orders and payment on time.
- Society may be benefited to social development activities by profitable firms.

*Note: Students may write about 8 points for 7½ marks.*

## **FUNCTIONS OF MARKETING**

Marketing involves a number of sub-functions for successfully designing and distributing goods and services to the customers. The marketing functions are as follows:

### **1. Marketing Research:**

It is one of the important areas of marketing. *Marketing research*

*is a process which consists of systematic gathering, recording and analyzing data about marketing problems.* Marketing research helps to design effective marketing plans to design and sell products in the market

The two main areas of marketing research are :

- ***Consumer Research*** – enables the marketer to find out preferences, likes and dislikes, buying behaviour of the customers. It also enables to get the reactions of the customers towards the company's products and services.
- ***Dealer Research*** – enables the marketer to get feedback from the dealers in respect of the firm's products vis-à-vis that of competitors. It also enables to get the reactions of the dealers towards the dealer-oriented promotion tools vis-à-vis that of the competitors.

## 2. Branding:

Branding is an important aspect in today's competitive business world. The marketer must consider certain essentials while selecting a suitable brand name for a particular product. Some of the essentials of a good brand name include:

- **Capable of describing features** such as Duracell and All Clear.
- **Universal usage** – which can be used world-wide such as Pepsi and Coca Cola.
- **Relevant to the product** such as Fair & Lovely and Revital.
- **Easy to pronounce** such as Lux and Limca.

A good brand name aids customers in identifying the branded item. It creates brand loyalty and among other things aids in brand extensions.

## 3. Advertising:

Now-a-days, advertising is considered to be one of the most effective ways of promoting goods and services. Advertising is the paid form of non-personal promotion of ideas, goods and

services by an identified sponsor. The main objective of advertising is to create awareness of the product.

The other objectives of advertising include:

- To develop positive attitude.
- To develop brand image.
- To enhance brand loyalty.
- To face competition in the market.
- To develop corporate image.
- To educate the buyers, etc.

#### 4. Product Design:

Firms need to come up with new product designs or models to cater to the satisfaction of customers. Introduction of new product designs helps to generate goodwill in the market, which in turn expands the business.

Firms especially in the field of pharmaceuticals, engineering, electronics, etc., need to allocate a good amount of funds towards research and development. New product designs help a firm to get competitive edge in the market. For example: Suzuki Motors has planned to introduce at least one new model of car in a year.

#### 5. After-Sale-Service:

Effective after-sale-service is vital, especially in the case of office equipment, machinery and consumer durables. To promote corporate image, the marketer must provide effective after-sale-service.

Firms must not wait for the customers' reminders to provide after-sale-service. The firm must be proactive in after-sale-service management. If possible, a firm may provide additional after-sale-service to delight the customers.

To provide effective after-sale-service, the marketing firm must:

- Select the right employees.

- Train the employees to improve their skills, attitude and social behaviour.
- Motivate the after-sale-service staff by providing incentives.

## 6. Sales Promotion:

Sales promotion is an important element of promotion mix. *Sales promotion involves various tools to induce the customers to buy the products. The sales promotion tools include:*

- Buy-back offers.
- Banded or Combo Products.
- Coupons or cash vouchers.
- Discounts.
- Exchange Offers.
- Free Samples and Free Gifts.
- Guarantees and Warranties, etc.

## 7. Salesmanship/Personal Selling:

One of the important areas of marketing involves personal selling. The personal selling staff or the sales force makes a big difference not only in promoting the products but also in generating goodwill of the firm.

For personal selling to be effective, there is a need for:

- Proper *selection* of sales force. Apart from interviews, relevant selection tests may be conducted, such as personality test, aptitude test, interest test, etc.
- *Training* must be provided to the sales force to develop knowledge, attitude, skills and social behaviour.
- The sales force needs to be constantly *motivated* to achieve sales targets.

## 8. Pricing:

Price refers to the exchange value at which the seller is willing to sell and the buyer is willing to buy. *Effective pricing policy is vital to the success of the product in the market. The price should be right and within the lines of the competitors.* The prices should neither be too high nor too low. If it is too high, buyers may think twice before paying for the product. If it is too low, buyers may consider the product's quality as inferior.

While fixing the price, the marketer must consider certain factors:

- Cost of production and distribution.
- Competition in the market.
- Corporate image.
- Customers' Nature.
- Channels of distribution.
- Credit policy of the firm.
- Demand for the product, etc.

## 9. Physical Distribution:

It includes place of distribution and the channels used for distribution. Consumers want products to be available at the convenient place and on time. For this purpose, the marketer can select either the direct or indirect channel to reach the products to the buyers.

The factors influencing channel selection include:

- Channel adopted by the competitors.
- Customers' nature.
- Corporate image of the firm.
- Objectives of the firm.
- Product's Nature.

- Area coverage, etc.

#### **10. Customer Relationship Management:**

Nowadays, professional firms place lot of emphasis on CRM. It is concerned with managing detailed information about individual customers and all 'customer touch points' (every contact between the customer and the company – right from order placement to after-sale-service). The purpose of CRM is to enhance customer loyalty. Therefore, firms must place emphasis on 'Most Valued Customers'.

#### **11. MIS Management:**

In large business firms, marketing managers have to manage marketing information system (MIS). A systematic MIS enables business firms to gather, analyse, and distribute accurate information to marketing decision-makers.

The MIS consists of the following four components:

- Internal records in respect of costs, sales, profits, and so on.
- Marketing intelligence system – information of competitors, marketing trends, etc.
- Marketing research to solve specific marketing problems.
- Marketing decision support systems.

#### **12. Test Marketing:**

It is process of launching a product in a very limited market area in order to find out the acceptance of the product by the customers. Test marketing is especially required in the case of innovative products. If test marketing is successful; the marketer would launch the product over a larger market area.

#### **13. Other Functions:**

There are several other marketing activities which include:

- Product positioning
- Packaging

- Public relations
- Participation in trade fairs and exhibitions.

(Note: Students may write about 8 points for 7½ marks.)

## EVOLUTION OF MARKETING CONCEPT

The concept of marketing has evolved over a period of time. In olden days, sellers adopted the exchange concept and nowadays large professional firms practice the holistic concept of marketing.

### 1. The Exchange Concept

It is the oldest concept of marketing. According to this concept, *marketing involves the exchange of a product between the seller and the buyer.*

*The exchange concept assumes:*

- *Customers will accept products of any quality available in the market.*

The main features of exchange concept include:

- Lack of *marketing research* to find out customer preferences.
- No emphasis on *research and development.*
- Emphasis only on *profits.*
- Lack of concern for *customer satisfaction.*
- No importance given to *after-sale-service.*

It is to be noted that this concept is still practiced by sellers in third world countries and by some small traders (both in developed and developing countries), who are merely involved in trading rather than in real marketing.

### 2. The Production Concept

This concept came into existence after the industrial revolution in England (as a result of large scale production).

*This concept assumes:*

- *Customers will prefer those products that are widely available and are of lower price.*

Some of the features of production concept include:

- Lack of marketing research.
- Hardly any emphasis on research and development.
- The firm places greater emphasis on profits.
- Firms may undertake large scale production to reduce costs.

*Under this concept, marketers concentrate on achieving production efficiency and wide distribution coverage.* They treat marketing as an extension of production function, i.e., marketing performs the role of physical distribution of mass production. This concept makes sense in less developed countries, where consumers are more interested in purchasing the product rather than its features.

### 3. The Product Concept

This concept came into existence in the early 20th century. There is a shift from marketing of low cost products to marketing of high quality products.

*This concept assumes:*

- *Consumers will prefer those products that offer high quality and performance.*

Some of the features of product concept include:

- Emphasis on research and development to improve quality which would increase sales.
- Focus on profit motive.
- Lack of emphasis on marketing research.
- Lack of emphasis on customer relations.

Product-oriented companies suffer from '*marketing myopia*' – the term coined by Prof. Theodore Levitt. According to Prof. Levitt,

marketing myopia refers to narrow perception of marketing, where excessive attention is given to the product and ignoring the customer in the process.

#### 4. The Selling Concept

This concept gained importance after the great depression of 1930s. This concept places emphasis on promotional efforts to expand the business.

*The selling concept assumes:*

- *Consumers will prefer those products which are aggressively promoted with the help of publicity, advertising, salesmanship and sales promotion.*

Some of the features of Selling Concept include:

- Greater focus on promotion-mix, i.e., advertising and sales-promotion to increase sales.
- Greater emphasis on profits and market share.
- Lack of emphasis on marketing research.
- Lack of emphasis on customer relations.

This concept is adopted most aggressively by sellers of *unsought goods*, goods that buyers normally do not think of buying such as insurance policies, magazine subscriptions, etc. Firms use hard-sell techniques such as aggressive advertising and sales promotion to persuade customers.

#### 5. The Marketing Concept

This concept came into existence in the 1960s due to large scale competition, especially in developed countries. This concept is also known as *customer-oriented concept*. The target customer becomes the focus of all marketing decisions.

*This concept holds the view that:*

- *The success of the organisation largely depends on customer satisfaction.*

The marketing concept places emphasis on four main variables :

- Designing right **products**
- Charging right **price**
- Adopting effective **promotion-mix**
- Distributing products at the right **place**

The main features of marketing concept are:

- Emphasis on ***marketing research***.
- Focus on ***research and development***.
- Balancing ***profits*** with customer satisfaction.
- ***Integration*** of all functional areas.
- Emphasis on ***customer relationship***.

## 6. The Societal Concept

The 1980s and 1990s saw the emergence of 'societal concept' of marketing. *This concept assumes that a company can prosper, if it strikes a balance of three elements :*

- **Society's Welfare + Customer Satisfaction + Company's Profits.**

Some of the features of Societal Concept are:

- Emphasis on ***conservation of environment***.
- Focus on ***research and development*** to produce '***green goods***'.
- Emphasis on ***profits*** as well as customer satisfaction.
- Focus on ***marketing research***.

The societal marketing concept calls upon marketers to build social and ethical values into their marketing practices. It stresses the need for a firm to balance three factors while taking marketing decisions: ***Society's Well-being + Consumer Satisfaction + Company's Profits..***

Firms should not just make consumer-satisfying goods but also 'environmental friendly' (green goods).

## 7. The Relationship Marketing Concept

In the 1990s, a new concept of marketing has emerged called the '*relationship marketing concept*'. In a narrow sense of the term, relationship marketing refers to building long term customer relationships.

In a broader sense, *relationship marketing involves creating, maintaining and enhancing profitable and long term relationships with all stakeholders such as customers, distributors, dealers, employees, financiers, shareholders, suppliers and society.*

This concept holds the view that:

- *Company will prosper and progress, if it maintains excellent relationships with various stakeholders.*

## 8. The Holistic Concept of Marketing

Philip Kotler introduced the Holistic Concept of Marketing, which gives competitive advantage to business firms. Nowadays, professional marketers adopt the holistic approach. The holistic marketing concept consists of four elements:

- **Integrated Marketing** - all elements of marketing-mix (product, price, promotion and place) are integrated to deliver superior customer value.
- **Relationship Marketing** - efforts are made to build, maintain and enhance long-term relationships with customers, dealers, suppliers and other stakeholders.
- **Internal Marketing** - The employees of the organisation are to be treated as internal customers, so that they serve the external (actual) customers more effectively. Therefore, there is a need to select, train and motivate the employees to provide effective customer service.
- **Performance Marketing** - emphasis is placed on profits as well as other concerns or issues such as customer loyalty, customer

satisfaction, market share, product quality and other related issues.

*(Note: If a general question is asked on evolution of marketing concept for 7½ marks, students need to write briefly the 8 concepts in one paragraph about 6 to 8 lines each.)*

## For Reference – Features of the Concepts – Emphasis on:

Concept	Marketing Research	Customer Satisfaction	After-sale -service	R & D	Profits
Exchange	No	No	No	No	Yes
Production	No	No	No	No	Yes
Product	No	No	No	Yes	Yes
Selling	No	No	No	Yes	Yes
Marketing	Yes	Yes	Yes	Yes	Yes

## STRATEGIC MARKETING MANAGEMENT

Strategic Marketing enables a firm to differentiate itself from its competitors by capitalizing on its strengths to provide consistently better value to customers than its competitors.

A marketing strategy may be defined as a *long term plan* to achieve the *firm's objectives*.

The marketing strategy specifies:

- (a) The resources that can be allocated to marketing.
- (b) The way with which resources could be used to take advantage of market opportunities.

A marketing strategy involves:

- Identifying markets and customers requirements in those markets.
- Planning products that would meet customer requirements.
- Organising and allocating resources to marketing activities.

- Implementing marketing activities to deliver customer satisfaction and to achieve firm's objectives.

*Strategic Marketing Management involves a detailed analysis of all elements of marketing strategy so as to design effective marketing-mix.*

Strategic Marketing Management examines the elements of marketing strategy, such as a market-focused culture, customer and competitor analysis, value delivery, pricing, relationship management, brand management, and marketing communication.

## **ELEMENTS OF MARKETING STRATEGY (FOR REFERENCE)**

A marketing strategy is made of several interrelated elements. Some of the elements are:

1. **Market Selection:** The most important element of marketing strategy is the market selection - the markets which the company wants to select to serve the target customers.
2. **Product Planning (Product) :** It includes the specific products which the company intends to market - the product line and the design of individual products in that line.
3. **Distribution System (Place) :** It refers to the selection of channels intermediaries - the wholesale and retail channels, and the relationships with the intermediaries.
4. **Integrated Marketing Communication (Promotion-mix) :** It refers to the overall communications strategy employed to create awareness of product offerings, developing product image, and persuading customers to buy. It includes advertising, sales promotion, personal selling, public relations, and so on.
5. **Pricing (Price) :** It is an important element of the marketing strategy. It involves setting product prices depending upon certain factors such as customers' sensitivity towards pricing,

competitors' pricing, demand for the product, corporate image of the firm, and so on.

6. **Customer Relationship Management:** Marketing strategy aims at maintaining long term customer relationship through various techniques such as:

- Data warehousing and data mining,
- One-to-one marketing,
- Special packages for priority customers, and so on.

## TRADITIONAL MARKETING V/S STRATEGIC MARKETING MANAGEMENT

Traditional Marketing	Strategic Marketing Management
<b>1. Meaning:</b> It is a process of identifying and satisfying customer requirements to achieve <i>firm's objectives</i> .	It is a process adopted by a firm to differentiate itself from its competitors by providing <i>superior value to its customers</i> .
<b>2. Marketing Research:</b> Traditional marketing firms <i>hardly invest</i> funds in marketing research. Generally, consumer research, dealer research and other elements of marketing research are not given importance.	Strategic marketing firms place lot of <i>emphasis on marketing research</i> . Customer requirements are regularly monitored and accordingly products are designed to satisfy customers.
<b>3. Nature of Decision-making:</b> Traditional marketing managers make <i>reactive decisions</i> - in response to competitors' decisions.	Strategic marketing managers make <i>proactive decisions</i> - to gain competitive advantage in the market.
<b>4. Nature of Strategy:</b> Traditional managers adopt <i>stability strategy</i> because the managers consider environment as relatively stable.	Strategic marketing managers adopt <i>stability, growth or retrenchment</i> strategies depending on the situation.

<b>5. Opportunity Sensing:</b> Traditional marketing managers follow <i>adhoc search</i> for a new opportunity.	Generally, strategic marketing managers adopt <i>ongoing search for new opportunities</i> .
<b>6. Objectives:</b> Traditional marketing firms place emphasis on <i>economic objectives</i> such as profits.	Strategic marketing firms <i>place emphasis on social as well as economic objectives</i> .
<b>7. Pricing Methods:</b> Traditional marketing managers adopt <i>cost oriented methods</i> of pricing such as cost-plus, mark-up pricing, and so on.	Strategic marketing firms adopt <i>market oriented methods</i> of pricing such as going-rate pricing, differential pricing, etc.
<b>8. Promotion Mix:</b> Traditional marketing firms place emphasis on <i>few elements</i> of promotion mix such as advertising, salesmanship and sales promotion.	Strategic marketing firms place emphasis on <i>integrated promotion-mix</i> such as publicity, advertising, sales promotion, salesmanship, public relations, etc.
<b>9. Quality of Products:</b> Traditional marketing firms <i>hardly place emphasis on R&amp;D</i> to improve quality and to develop new products.	Strategic marketing firms place <i>lot of emphasis on R&amp;D</i> to improve quality and to develop new products.
<b>10. Relationship with Customers:</b> It does not place much emphasis on customer relationship. Lot of marketing resources may be directed at <i>acquiring new customers</i> rather than on customer retention.	Strategic marketing adopts <i>customer-centric</i> approach. A good amount of marketing resources are directed at maintaining and enhancing customer relationship and retention.
<b>11. SWOT Analysis:</b> Traditional marketing firms <i>hardly undertake SWOT analysis</i> as they operate in a stable environment.	Strategic marketing firms <i>periodically undertake SWOT analysis</i> as they operate in a changing & dynamic environment.

<b>12. Time Frame:</b> The marketing managers consider <i>short term time frame</i> . Day-to-day decisions have relevance in a given financial year.	The strategic marketing managers consider <i>long term time frame</i> . The decisions are taken considering long term objectives.
<b>13. Creativity:</b> Traditional marketing gives more importance to <i>maturity and experience</i> of employees rather than creativity.	Employees need high degree of <i>creativity and originality</i> to design new products, plans and programmes.

*Note: Students may write about 8 points for 7½ marks.*

## MARKETING RESEARCH

### MEANING AND FEATURES

Marketing research is a systematic approach to solve marketing problems. The **American Marketing Association** defines marketing research "*The systematic gathering, recording and analyzing of data about problems relating to marketing of goods and services.*"

The main *features* of marketing research are as follows:

#### 1. Systematic Process:

Marketing Research is a systematic process to identify and to solve marketing problems. The process of marketing research involves the following steps:

- Identify the marketing problem.
- Create the research design (plan) to conduct research.
- Collection of data through primary and/or secondary sources.
- Processing of data.
- Analysis and interpretation of data.

- Preparation of research report.
- Implementation of research findings.
- Review or follow-up of action taken.

## 2. Specific in Nature:

Marketing research is specific in nature. It is undertaken to solve specific problem. Therefore, the marketing manager collects and analyzes the data relevant to the specific problem.

For instance, if marketing research is undertaken to fix the right price for a new product or to modify the price of an existing product, the marketing manager will collect relevant data regarding pricing of competitors' product, demand for the product in the market, nature of customers, and such other factors.

## 3. Scope:

Marketing research attempts to solve problems in a wide range of areas. The problems relate to various areas of marketing such as:

- *Product research* relating to features and packaging.
- *Promotion research* covering elements of promotion-mix such as publicity, advertising and sales promotion.
- *Pricing research* to find out the appropriateness of pricing depending upon certain factors, such as nature of customers, competition, costs, corporate image, credit policy, etc.
- *Place research* covering areas of channels of distribution, compensation to intermediaries, etc.

## 4. Applied Research:

Marketing research is conducted to solve specific problems of commercial importance. Since marketing research is subject to commercial considerations, it is not a fundamental research but an applied research as it is used to solve specific marketing problems. The marketing problems may be in respect of product design, pricing, promotion, distribution, etc.

**5. Bridges Company-Customer Gap:**

Marketing research bridges the gap between the producers and the consumers. The company comes to know more about its consumers - their likes, dislikes, tastes, preferences and buying patterns. The consumers in turn come to know about the company plans for the consumers in terms of introduction of new products, new policies, etc.

**6. Continuous in Nature:**

Marketing research is continuous in nature. As long as the firm exists, there is a need for marketing research. Marketing problems arise on a continuous basis due to changes in environment, such as: changes in customer expectations, changes in competitors' strategies, changes in Government policies, etc., Therefore, there is a continuous need to collect relevant marketing data to overcome marketing problems.

**7. Company Objectives:**

Due to marketing research, the company is in a position to achieve its objectives. Marketing research enables a firm to solve marketing problems. The resolving of marketing problems enables a firm to achieve its objectives such as higher sales and higher profits because of cost effective decisions.

**8. Cost-effective:**

Marketing research must be cost-effective. Marketing research must ensure proper availability of data to make effective marketing decisions. The money spent on marketing research must generate enough returns to the firm.

**9. Professional Approach:**

Marketing research requires professional approach in respect of the following activities:

- Selection of marketing research staff.
- Training to the research staff.
- Collection of data.
- Analysis of data, etc.

The professional approach will enable the firm to collect and analyse the data properly, which in turn will enable the firm to solve the marketing problems.

#### **10. Marketing-mix Decisions:**

Marketing research provides necessary information to arrive at appropriate solutions to solve marketing problems. Market research data enables the marketing managers to decide in respect of: product design, packaging, pricing, promotion, distribution. Effective marketing-mix enables the firm to achieve marketing objectives.

#### **11. Methods of Data Collection:**

There are various methods of data collection for the purpose of conducting marketing research.

The following are the methods of primary data collection:

- Survey/Interview method (to get feedback from the customers)
- Observation method (such as observing buyer's behaviour at shopping centres).
- Experimentation method (R&D, product trials).

Generally, the marketing manager may adopt the survey method to collect data from customers, dealers and other stakeholders.

#### **12. Sources of Data Collection:**

Marketing research data can be obtained from primary sources or secondary sources. Normally, a company may collect data from secondary sources (published sources). Secondary data is economical and less time consuming. However, if the secondary data is not adequate to solve the problem, the company may go for primary data.

#### **13. Suffers from Certain Limitations:**

Although marketing research is beneficial to the company and the customers, yet it suffers from certain limitations, such as:

- Bias on the part of the research staff.
- Inconsistent or incomplete responses of the respondents.
- Limitations of time, and funds.
- Limitations of data collection and data analysis techniques.

## MARKETING RESEARCH PROCESS

The following are the basic steps in the process of marketing research:

1. **Identify and Define Problem:** *Identifying and defining the problem is the first step in the process of marketing research. The problems of today's business are diverse. Some relate to the product, others to the customer behaviour, others may be advertising problems, etc.*

For instance, the problem may be the failure to meet sales objectives or of falling sales. This may be due to the poor quality of product or poor advertising or lack of motivation of sales force and so on. The job of research people is to identify and define the problem. There should be a proper diagnosis which will lead to an effective solution.

2. **Conduct a Preliminary Investigation:** *The research problem is generally stated by the marketing team. The research team is supposed to conduct a preliminary investigation.*

For example, a sales manager who notices decline in sales might interpret the problem as ineffective advertising. The researcher, therefore, is asked to investigate the effectiveness of firm's advertising. While talking to the wholesalers and retailers of the firm's products, however, the researcher discovers that their support began to decline when a rival firm introduced a new product that gave them a higher margin on sales. This gives the researcher a new perspective on the problem. It also makes clear that an investigation of advertising effectiveness will not solve the problem.

3. **Determine Data Needs:** *The researcher should decide about data needs to solve the problem. Researchers use primary and secondary data.* Primary data are collected specifically for a particular problem. It may be generated by original research through observation and/or inquiry. Secondary data is readily available information. It can be collected from published sources.
4. **Determine Data Sources:** *The sources may be internal or external. The major internal source of primary data is company personnel. Retailers, customers, wholesalers are important external sources of primary data.* The major internal source of secondary data is company records. Libraries, trade associations, and government publications are important external sources of secondary data.
5. **Create the Research Design:** *The research design is the grand plan for conducting the research investigation. It provides guidelines to the researcher to keep a track of his actions and to know whether or not he is moving in the right direction in collecting the data.* Whatever may be the nature of research problems, all research designs contain the following elements :
  - Statement of research problem
  - Time frame of research
  - Areas of collecting data
  - Resources required
  - Techniques of data collection and analysis
  - Universe of research
  - Sample sizeThus, the considerations which enter into making decisions regarding the what, where, how much, by what means, constitute the research design or plan.
6. **Design Questionnaire:** *If the researcher cannot solve the problem with the help of secondary data, he should then make*

*efforts to collect the primary data from the field for which he generally requires a questionnaire.* While designing a questionnaire, the following points must be kept in mind:

- Type of information required.
- Type of technique that would be used for conducting the research i.e. whether telephone, personal or mail.

**7. Designing Sample of Respondents:** *Market research is always restricted by shortage of time and other resources. Therefore, few persons are selected to represent thousands of people in the market.* However, the sample so selected must represent the total population under study. The sample can be selected at random or by using probability techniques.

**8. Collection of Data:** *Problem solving requires collection of data. As mentioned earlier, information can be collected from various sources, both internal as well as external, primary or secondary.* The researcher should note that :

- Information is upto date and free from bias.
- Data is objective and relevant to the needs of problem.
- Data is complete in all respects.

**9. Organisation of Data:** *The collection of information accounts for major part of any research work. The data when collected is mostly available in crude form and as such it has to be processed. To process the data, it must be organised. The techniques and tools like editing, coding, classification and tabulation are commonly used to process the data.*

Editing helps to weed out unwanted and irrelevant data, whereas, coding, classification and tabulation makes the data ready for applying statistical techniques for analysis purpose.

**10. Analysis and Interpretation of Data:** *Organisation of data is generally followed by its analysis and interpretation. The purpose of analysing data is to establish a relation between the information and problem.*

Analysis reviews the data in the light of hypothesis or research problem. It is difficult to demarcate a line between analysis and interpretation. They quite often overlap and so it is difficult to find out the end of analysis and the beginning of interpretation.

Interpretation refers to the analysis and generalisation of results. It enables to clear the meaning and implication of study. It enables to link findings with research problem and arrive at logical conclusion. Based on conclusions, the researcher provides recommendations to solve the problem.

**11. Preparation of Research Report:** After drawing conclusions, the researcher will then proceed to prepare the market research report. The report is divided into a number of paragraphs or chapters, depending upon the nature of the problem. *The report consists of the following:*

- *Title of the report*
- *Table of contents (Index)*
- *Synopsis*
- *Introduction*
- *Methodology used*
- *Findings*
- *Limitations, if any*
- *Conclusions and recommendations*
- *Appendix followed by Bibliography.*

**12. Follow-up of Report:** The report is then presented to the concerned manager. The researcher should find out whether his report is accepted, if accepted whether his recommendations are implemented and if implemented, whether recommendations are successful in solving the market research problem.

## MIS V/S MARKETING RESEARCH (MR)

<b>MIS</b>	<b>Marketing Research (MR)</b>
<p><b>1. Meaning :</b> MIS is a structure of people, equipment, and procedures to gather, sort, analyse and transmit data to decision-makers.</p>	<p>MR is a systematic process of collecting and analysing of data to solve specific marketing problems.</p>
<p><b>2. Components:</b> The components of MIS include: Internal records, marketing Research, marketing intelligence, and MDSS.</p>	<p>The elements of MR include: consumer research, dealer research, product research, pricing research, Place research, promotion research, etc.</p>
<p><b>3. Cost Factor:</b> MIS involves huge costs, as it involves maintaining lot of data base and marketing decision support system.</p>	<p>MR may involve lower costs, as it involves gathering and analyzing data relating to particular problem.</p>
<p><b>4. Purpose :</b> MIS provides relevant information to make proactive and reactive decisions.</p>	<p>The basic purpose is to solve current marketing problems.</p>
<p><b>5. Quantity of Data:</b> MIS requires huge mounds of data. The data is collected, analysed and stored for future needs.</p>	<p>MR requires less data as compared to MIS as it tries to solve specific problem.</p>
<p><b>6. Reports :</b> MIS provides four types of reports such as periodic reports, plan reports, demand reports and triggered reports.</p>	<p>In marketing research, the decisions to solve specific marketing problem is based on one specific report.</p>
<p><b>7. Specific / General:</b> MIS is more general in nature. It can solve a wide range of problems.</p>	<p>MR is more specific in nature, as it is conducted to solve a specific problems.</p>

<b>8. Time Factor:</b> MIS is a continuous activity. There is no definite time period to collect the data.	MR is a one time activity to solve a specific problem. There is definite time limit to collect data.
<b>9. Past/Future Oriented :</b> MIS is future oriented as it makes a firm to be proactive to solve problems that may arise in future.	MR is past and present oriented as it attempts to solve the problems that have already taken place or are taking place in the current situation.
<b>10. . Number of Problems :</b> MIS collects and stores data that can solve a variety of problems.	MR relates to one specific problem at a time.
<b>11. Frequency of Data Collection :</b> MIS data is collected regularly / daily.	MR is conducted as and when a specific problem arises.
<b>12. Nature of Firms:</b> MIS is maintained by large firms; as it involves huge expenditure.	MR can be conducted by any firm - large and small.

## **MARKETING INFORMATION SYSTEM (MIS)**

### **MEANING AND FEATURES**

Marketing information includes all the data, in terms of facts, opinions, views, guidelines and policies, which are necessary to make vital marketing decisions. The data is collected from customers, competitors, company sales-force and other staff, government sources, specialized agencies and sources.

### **Nature of MIS**

*"A marketing information system consists of people, equipment and procedures to gather, sort, analyse, evaluate and distribute needed, timely and accurate information to marketing decision makers." - Philip Kotler*

The features of MIS are as follows:

#### 1. Systematic Process:

MIS is a systematic process of collecting and maintaining a record of marketing information. The MIS process consists of:

- Gathering marketing information.
- Sorting/ classification of data.
- Analyzing marketing data.
- Transmitting the data to marketing decision makers.

#### 2. Professional Approach:

There is need to adopt professional approach towards MIS. The MIS data must be collected, classified, analysed, and transmitted systematically to the marketing managers to take appropriate marketing decisions in respect of product design, pricing, promotion, etc. Therefore, a company must:

- Select the right staff.
- Train the MIS staff to collect and analyse the data properly.
- Motivate the staff so that the staff works with commitment and dedication.

#### 3. Continuous in Nature:

The MIS activity is continuous in nature. There is constant need to collect relevant marketing data relating to the environment such as competitors' strategies, Government policies, customers requirements, changes in international environment, etc.

#### 4. Components of MIS:

MIS consists of four components:

- (a) **Internal Records:** It provides current data on *internal marketing environment* such as sales, costs, inventories, cash flows and accounts receivable and payable.

Many companies have developed advanced computer-based internal records systems to allow for speedier and more comprehensive information.

- (b) **Marketing Intelligence System:** It refers to information gathered and analysed for the purpose of identifying market opportunity, and the development of market penetration and market development strategies.

Market intelligence focuses particularly on competitors, customers, consumer spending, market trends, and suppliers.

- (c) **Marketing Research:** Besides, internal records and marketing intelligence, marketing managers may often conduct marketing research to solve specific problems.
- (d) **Marketing Decision Support System (MDSS):** A MDSS is a set of *statistical tools and decision models* with supporting hardware and software. MDSS enables marketing managers in analyzing data and making better marketing decisions.

#### 5. Unified and Centralised System:

There are several information components (internal records, marketing research, etc.) in every MIS. Also, there are several activities in each component – collection of data, processing, storing and transmission. The components and the activities must be integrated into a unified system.

The unified system is managed at a centralized place. In other words, information collected by different individuals or sections must be integrated and stored at a central place.

#### 6. Use of Latest Techniques:

MIS makes use of latest techniques such as sophisticated computers, micro-films etc. The sophisticated tools and techniques enable the MIS staff to collect, store and process meaningful information, which can be transmitted to marketing managers to make effective decisions.

#### 7. Cost-effective Information:

There is no sense in collecting whatever information that is available in the market. MIS facilitates the collection of only relevant information. Efforts are made to collect not only

relevant data but also cost effective. The benefits which the MIS bring to the organisation must be more than the cost incurred on it.

### 8. Decision Making:

MIS aids in decision making relating to various elements of marketing-mix such as product-designing, pricing, promotion and distribution. By making available timely information, which is relevant and reliable, MIS aids marketing managers to take effective decisions to achieve objectives of the marketing department and that of the organisation.

### 9. Ensures Regular Supply of Information:

There is a constant and continuous need to make marketing decisions. This is because of the constant and continuous changes in the business environment. Therefore, to make effective decisions, MIS ensures regular supply of information.

### 10. Future Oriented:

To manage the business well, marketing managers should be future oriented. Therefore, MIS should be in a position to provide information to solve problems that may crop up in future. More emphasis must be placed on future oriented information rather than past oriented information.

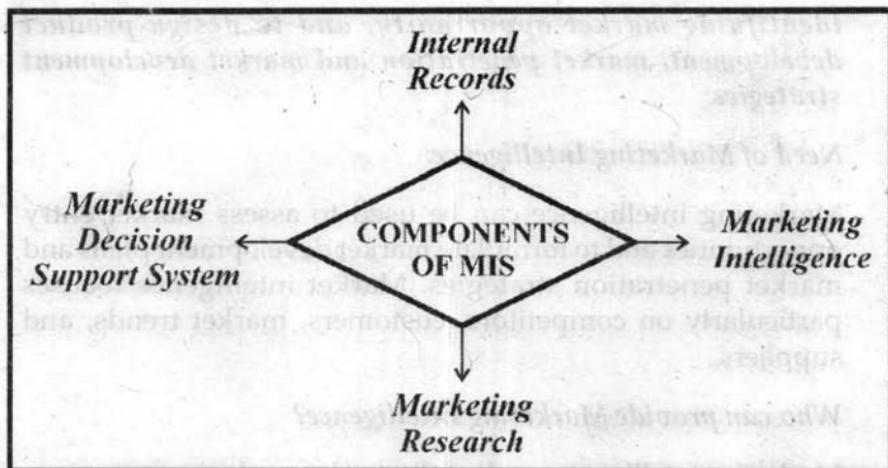
## **COMPONENTS OF MIS**

The components of MIS are broadly divided into four groups:

### 1. Internal Records:

A company maintains internal records for the purpose of marketing decisions. The internal records relating to marketing include: sales records – (area wise, product wise, period wise), salesforce performance records, test marketing reports, promotion-mix records, marketing and distribution costs records, marketing research reports, dealer records, etc.

Large companies have developed advanced computer based internal records system. The computer based internal record system allows quick and comprehensive information.



#### *Purposes of Internal Records:*

- To decide *promotional activities* such as advertising, sales promotion, etc.
- To ensure proper *pricing* of the products.
- To ensure proper design of *product* to meet customer requirements.
- To decide about the *place and channels* of distribution.
- To design *compensation package* to motivate the salesforce.
- To minimize *customers' complaints*.
- To maintain good *customer relations*.
- To motivate the dealers to push and promote the products.
- To set sales targets.
- To launch new or modified products.
- To develop effective after-sale-service strategy.

#### **2. Marketing Intelligence:**

*Market intelligence is the information relevant to a company's markets, gathered and analyzed specifically for the purpose of*

*identifying market opportunity, and to design product development, market penetration and market development strategies.*

### ***Need of Marketing Intelligence:***

Marketing intelligence can be used to assess market entry opportunities and to formulate market development plans and market penetration strategies. Market intelligence focuses particularly on competitors, customers, market trends, and suppliers.

### ***Who can provide Marketing Intelligence?***

Marketing intelligence can be collected by marketing managers, sales force, consultants, marketing intelligence specialists, and channel intermediaries.

### ***Objectives of Marketing Intelligence:***

- To identify market opportunities.
- To identify market trends.
- To analyse competitors' moves so as to decide counter measures.
- To launch new products in the market with the help of product development strategy.
- To enter in new markets with the help of market development strategy.
- To expand existing markets with the help of market penetration strategy.
- To maintain customer relationship.
- To position the products effectively so as to create a distinct image.

### **3. Marketing Research:**

It is a systematic gathering, recording, analyzing of data about problems relating to marketing of goods and services.

### *Scope of Marketing Research:*

Marketing research is undertaken to solve specific marketing problems relating to product, pricing, promotion, distribution, after-sale-service, etc. Some of the areas of marketing research include:

- (a) **Consumer Research:** It provides feedback on customers' requirements and expectations. Accordingly, the company would design and distribute products to satisfy customers' requirements.
- (b) **Dealer Research:** It provides feedback on dealers' expectations and the incentives provided by the competitors. This feedback would enable the firm to design dealers' incentive package.
- (c) **Product Research:** It enables the firm to obtain information of current product offering by the firm. It helps the firm to improve product quality, and features.
- (d) **Promotion Research:** A firm can gather and analyse information relating to its promotional activities such as publicity, advertising, sales promotion, salesmanship, etc. It helps to design effective promotion-mix.
- (e) **Pricing Research:** It enables the firm to find out the appropriateness of the firm's pricing of products. It helps the firm to fix the right prices depending upon certain factors such as competitors' pricing, customers' nature, demand for the product, etc.
- (f) **Place Research:** It includes areas of distribution and the channels of distribution. It helps the firm to select the right channel of distribution depending upon certain factors. It also helps to locate new markets, and to expand the existing markets.

### *Importance of Marketing Research:*

- It enables the firm to take effective marketing-mix decisions in respect of product, price, promotion and the place of distribution.

- It enables a firm to gain competitive advantage in the market.
- It improves corporate image of the firm.
- It facilitates customer satisfaction.
- It helps to achieve firm's objectives, etc.

#### **4. Marketing Decision Support System (MDSS):**

A MDSS is a set of statistical tools that assist marketing managers to make improved marketing decisions. It makes use of information technology, marketing data (that is gathered over a period of time) and modeling techniques. This system enables to predict outcomes from different scenarios and possible marketing strategies.

MDSS specializes in **three main areas** to assist in marketing decisions:

- ***Forecasting and analytical marketing support:*** It enables a company to be prepared for changes that may be required in the near future.
- ***Custom database design and management system:*** It enables a company to prioritize information in order to make the best decisions for its particular needs.
- ***Research tracker database system:*** It provides access to the latest market trends and enables a firm to know the events that would be taking place in the market in the near future.

## **DATA MINING**

### **Concept**

Data mining is a process of extracting useful data from a larger set of raw data for the purpose of effective decision-making. Data mining is used in various fields such as business (insurance, banking,

retail, consultancy services, communications), scientific research (astronomy, engineering, medicine) and government security (detection of terrorists and criminals).

**Investopedia** states *Data mining is a process used by companies to turn raw data into useful information.*

**Britannica.com** states "**Data mining**, (also called knowledge discovery in databases, in computer science), *the process of discovering interesting and useful patterns and relationships in large volumes of data.*"

**Doug Alexander** of the University of Texas defines data mining as "*computer-assisted process of digging through and analysing enormous sets of data and then extracting the meaning of data*".

CRM analysts develop data warehouses and use data mining techniques to develop and maintain long term relationships with valuable customers.

- *A data warehouse is a companywide electronic database of detailed customer information.* The purpose of data warehouse is to gather information and to store it at 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 utilised for various marketing decisions: Product design/modification, Product pricing, Promotion mix, Distribution and so on.

## **Data Mining Process :**

Data mining involves the following steps:

1. Collection of data and loading it into a data warehouse.
2. Store and manage the data in multidimensional databases such as on in-house servers or the cloud.

3. Provide data access to business analysts using application software.
4. Application software sorts the data based on the user's requirements..
5. End user presents the data in easily understandable forms such as a graph or table.

## **Importance of Data Mining**

### **1. Consumer Behaviour:**

Data mining helps to understand consumer behaviour. For instance, the retail giant Wal-Mart transmits all its relevant information to a data warehouse with terabytes of data. This data can easily be accessed by suppliers enabling them to identify customer buying patterns. They can generate patterns on shopping habits, most shopped days, most sought products, and other data utilizing data mining techniques. Accordingly, the suppliers can decide which products to assemble/produce more, when to supply more, etc.

### **2. Customer Loyalty:**

Data Mining enables business firms to maintain detailed information about individual customers.

The constant monitoring and management of customer related information enables business firms to design product offerings as per the requirements of its customers. Therefore, Data Mining helps to develop customer loyalty:

- Repeat purchases of the brand by satisfied customers.
- Recommendations of the brand by satisfied customers to others – relatives, friends, and others.

### **2. Competitive Advantage:**

Business firms that adopt Data Mining gain competitive advantage in the market. Due to Data Mining, firms are in a better position to design customised products.

Business firms make every possible effort to monitor customer requirements and accordingly provide superior value to the customers better than that of the competitors. As a result, the firms can remain ahead of the competitors in the market place.

### 3. Corporate Image:

Due to data mining, the image of the firm 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.

### 4. Customized Market Offering:

Companies can customize a product or service depending upon the data available with the firm. Data Mining enables a firm to interact with its customers through the company contact center and Web site. Such interaction enables the firm to know individual customer requirements and accordingly design customised products.

### 5. Lower Operating Cost:

Data Mining enables business firms to lower operating costs. *It is said that a 2 per cent increase in customer retention has the same effect as reducing costs by 10%*. Retained customers require less of persuasion through advertising, publicity, salesmanship, and so on.

### 6. Lower Customer Defection:

Data Mining emphasizes on training and development of employees to become more customer oriented. Due to Data Mining training and development, employees show care and concern towards the valuable customers. Therefore, the customer defection rate may be very less.

### 7. Higher Customer Equity:

The main aim of Data Mining is to produce high customer equity. Customer equity is the sum of *lifetime values* of all customers. Firms focus the marketing efforts more on the *most valuable customers* (MVCs). More focus on MVCs enables a firm to increase customer equity.

## 8. Higher Returns:

Due to Data Mining, the company is in a position to generate higher return on investment. This is because of repeat purchases on the part of loyal customers. Also the company makes money through cross selling (selling many products rather than single product) and up-selling (selling higher value products).

The higher return on investment increases shareholders' value. *It is said that 5 per cent reduction in the customer defection rate can increase profits by 5 to 95 percent depending on the type of business.*

## 9. Promotion-Mix:

Data mining helps to target the right market segments. Therefore, data mining enables a company to develop effective promotion-mx depending upon the market segments. Promotion-mix involves publicity, advertising, sales-promotion, salesmanship, etc.

For instance, a company may focus more on sales promotion offers such as discounts, exchange offers, free samples, gifts, etc., especially when the product is targeted to middle-income group of customers.

## 10. Pricing of Products:

Data mining helps to identify different groups of buyers such as price sensitive and non-price sensitive customers. Therefore, a company can adopt different pricing strategies for different markets. For instance, prices charged to price sensitive customers would be lower and accordingly, the product and promotional efforts are adjusted.

## 11. Distribution Strategies:

Data mining facilitates the adoption of suitable distribution strategies. Different groups of buyers may require different distribution strategies. For example, when a product is of very high quality intended to the upper rich class (such as Rolex, Rolls Royce), it must be distributed at prestigious outlets located at selected places.

## 12. Improved Service to Customers:

With data mining, the company can provide better service to its regular and valuable customers. It is said that 20% of customers account for 80% of the sales. Therefore, it is worth targeting the important customers and then to provide them special service as compared to other customers.

For instance, AXIS Bank maintains a list of priority customers and provides them with additional facilities and occasionally provides such customers special offers such as free tickets to concerts, movies and so on. Certain banks like Catholic Syrian Bank provide personalized service to the priority customers.

## CONSUMER BEHAVIOUR

Engel, Blackwell and Mansard define "*Consumer behaviour as the actions and decisions processes of people who purchase goods and services for personal consumption.*"

Louden and Bitta define "*Consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services.*"

## Features of Consumer Behaviour

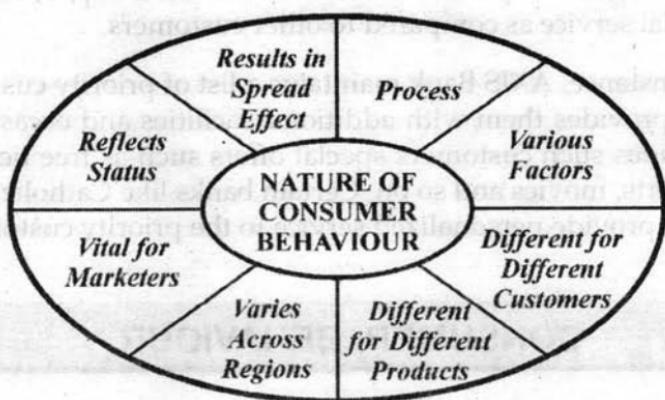
The nature (features) of consumer behaviour is briefly stated as follows:

### 1. Process:

Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps:

- Need identification to buy the product.
- Information search relating to the product.
- Listing of alternative brands.

- (d) Evaluating the alternatives (cost-benefit analysis).
- (e) Purchase decision.
- (f) Post-purchase evaluation by the marketer.



## 2. Influenced by Various Factors:

Consumer Behaviour is complex in nature because it is influenced by a number of factors. The factors that influence consumer behaviour are as follows:

- **Marketing** factors such as product design, price and promotion.
- **Personal** factors such as age, gender, education and income.
- **Psychological** factors such as buying motives and attitudes.
- **Situational** factors such as physical and social surroundings at the time of purchase.
- **Social** factors such as social status and reference groups.
- **Cultural** factors, such as religion, region and so on.

## 3. Different for Different Customers:

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer

behaviour are due to individual factors such as nature of the consumers, lifestyles, culture, etc.

For instance, some consumers are *shopaholic (compulsive buyers)*. They go on shopping spree beyond their means. They borrow money from friends, relatives, banks and at times even adopt unethical means to spend on shopping. But there are other consumers, despite having lot of surplus money may not go for regular shopping.

#### 4. Different for Different Products:

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items. For instance, a college student may spend heavily on clothing and accessories, but may not spend on buying books for general reading (although general reading is vital for college students). A middle aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes and so on.

#### 5. Varies across Regions:

The consumer behaviour varies across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally, rural consumers are conservative in their buying behaviour. The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas, the urban consumer may buy even with bank loans luxury items like cars, household appliances, etc. Also, across the states, regions and countries, the consumer behaviour may differ depending upon the upbringing, lifestyles, level of development, etc.

#### 6. Vital for Marketers:

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

- Product design/ model.
- Pricing of the product.
- Promotion of the product.
- Packaging., etc.

#### **7. Reflects Status:**

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

#### **8. Results in Spread-effect:**

Consumer behaviour has a spread-effect. The buying behaviour of one person may influence the buying behaviour of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items such as Nike, Van Heusen, Pierre Cardin, etc. This may influence some of his friends, neighbours, colleagues at work place to buy the premium brands. This is one of the reasons why marketers use celebrities to endorse their brands.

#### **9. Improves Standard of Living:**

Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But, if a person spends less on goods and services, despite having good income may deprive him/her of higher standard of living.

#### **10. Undergoes a Change:**

The consumer behaviour undergoes a change over a period of time depending upon changes in age, education and income level, etc. For instance, kids may prefer colourful dresses, but as they grow up as teenagers and young adults, they may prefer trendy clothes and the middle aged and senior citizens may prefer more of sober clothing.

## FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer behaviour is affected by several factors, which are explained as follows:

### I. Marketing Factors :

The marketing-mix variables greatly influence the consumer buying behaviour. The marketing variables include:

- **Product:** The features of the product, packaging and so on.
- **Pricing:** Premium pricing strategy may appeal to upper income groups and value pricing may appeal to price sensitive customers.
- **Promotion:** The elements of promotion-mix include publicity, advertising, sales promotion, salesmanship and so on.
- **Place:** The type of channels, area coverage and so on.

### II. Personal Factors :

The personal factors of a consumer may affect the buying decisions. The personal factors include:

- **Age Factor:** The age factor influences buying behaviour. For instance, teenagers may prefer trendy clothes, whereas, office-executives may prefer sober and formal clothing.
- **Gender:** The consumer behaviour varies across gender. For instance, girls may prefer certain feminine colours such as pink and purple whereas; boys may go for blue and brown.
- **Education:** Highly educated persons may spend on books and personal care products, whereas a person with low education may spend less on such products.
- **Income Level:** Normally, higher the income level, higher is the level of spending and vice-versa.

- **Status in the Society:** Persons enjoying higher status in the society spend good amount on luxury items such as luxury cars, luxury watches, premium brands of clothing, etc.

### **III. Psychological Factors :**

A person's buying behaviour is influenced by psychological factors such as follows:

- **Learning:** Learning takes place through information (advertising, publicity) and experience. For example, when a customer buys a new brand of perfume and experiences satisfaction from its use, he is likely to be brand loyal.
- **Attitude:** It is a tendency to respond in a given manner to a particular situation or object or idea. Consumers may develop a positive, or negative or neutral attitude towards certain products or brands, which in turn would affect his/her buying behaviour.
- **Motives:** A motive is the inner drive that motivates a person to act or behave in a certain manner. The marketer must identify the buying motives of the target customers and influence them to respond positively. Some of the buying motives include: Pride and possession, Love and affection, Comfort and convenience, etc.
- **Perception:** It is the impression, which one forms about a certain situation or object. For instance, a student may perceive examinations as an important event and therefore, he/she would make every possible effort including purchase of new stationery like pens, whereas, another student may be casual about the examinations and therefore, would not make extra efforts.

### **IV. Situational Influences :**

- **Physical Surroundings:** The physical surroundings at the place of purchase influences buying behaviour. For instance, the location of the store, the décor, the layout of the store, the way merchandise is displayed, etc., influences buying behaviour.

- **Social Surroundings:** The social surroundings involve the other person(s) with the customer at the point of purchase. For instance, a bargain hunter shopping with an impatient friend may do quick purchases and may not haggle over the price.
- **Time Factor:** Customers may make different decisions depending on - the hour of the day, the day of the week, or the season of the year. For instance, a customer may shop more on his salary day.
- **Momentary Conditions:** The moods and condition of the customer at the time of purchase may also affect the buying decision. A customer in a happy mood may make a different buying decision, as compared to when he is not happy.

## V. Social Factors:

The social factors such as reference groups, family and social and status affect the buying behaviour:

- **Reference Groups:** A reference group is a small group of people such as colleagues at work place, club members, friends circle, etc.. Reference groups influence its members as follows:
  - They influence values and attitudes of the members.
  - They expose members to new lifestyles.
  - They create pressure to choose certain products.
- **Family:** The family members influence buying decision. For instance, nowadays, children are well informed about goods and services through media and other sources and therefore, they influence the buying decision of the parents.
- **Roles and Status:** A person performs certain roles in a particular group organisation. For instance, a person may perform the role of senior executive in a firm and therefore, enjoys higher status. People may purchase the products that conform to their roles and status, especially in the case of branded clothes, luxury watches, luxury cars and so on.

## VI. Cultural Factors :

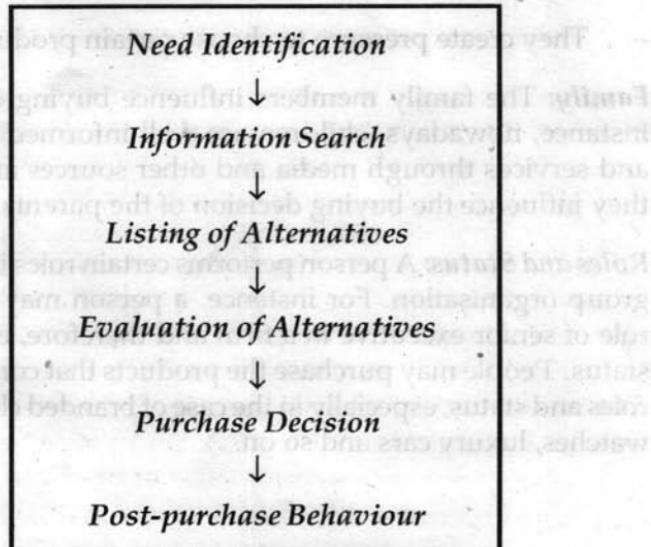
Culture includes race and religion, tradition, values, etc. The cultural factors influence buying behaviour:

- **Religion:** It influences consumer behaviour to a certain extent. For instance, consumption of alcohol and meat products is restricted in certain religions, but in some other communities there is no such restriction.
- **Sub-Cultures:** Each culture consists of sub-cultures that provide specific identity to its members. Subcultures include caste, religious sects, geographic regions, languages, etc.

The buying behaviour of people belonging to various sub-cultures may be different. Therefore, marketers may adopt multicultural marketing approach, i.e., designing goods and services that cater to the tastes and preferences of consumers belonging to different sub-cultures.

## BUYING DECISION PROCESS (FOR REFERENCE)

Consumer buying process involves a series of steps. The purchase of FMCG goods may involve a few steps, whereas, in the case of luxury or durable items, the buying behaviour undergoes various steps:



**1. Need Identification:**

The consumer buying process begins with the need identification. It may come from *internal stimuli* (such as hunger, or desire to look good) or an *external* one (such as a TV ad, suggestion from a friend).

People are driven by buying motives to fulfill their needs. Therefore, marketers must have a good knowledge of buying motives that induces people to buy the products.

**2. Information Search:**

When consumers identify a need, they may search for information to buy the product. A consumer may look for information from several sources:

- *Internal Sources* – recalling from memory, if he/she has satisfied a similar need in the past.
- *Group Sources* – consulting other people like family members and friends.
- *Marketing Sources* – advertisements and other promotion material.
- *Public Sources* – media publicity, internet and industry reports.
- *Experiential Sources* – by experiencing products on trial basis.

**3. Listing Alternative Brands:**

A consumer may list out a few alternatives from the several brands that are available in the market. The brands may be listed after collecting necessary information from various sources. For instance, in the case of purchase of a car, the information of alternative brands may include: Features, Price, Model, After-sale-service, Warranty, Fuel efficiency, etc.

**4. Evaluation of Alternatives:**

The consumer may evaluate each brand/product against certain criteria such as features, price, etc. For instance, in the case of purchase of a car, a middle class customer may consider the

fuel efficiency of the car apart from certain other factors. And a customer belonging to upper-upper income group may consider the aesthetic features, brand name of the car and such other features and may not consider the fuel efficiency factor. In other words, customers identify the product that will deliver the greatest value and satisfaction.

#### 5. Attitude:

After evaluation, the consumer may develop an attitude towards the product. Attitudes are individual feelings and beliefs that would largely influence the consumer behaviour. The attitude may be positive or negative. If the consumer develops positive attitude, the buying decision process will continue.

#### 6. Trial Purchase:

The consumer may go for trial purchase to find out whether or not the product meets his expectation. For instance, in the case of car, he may go for a test drive. In case of like FMCG product, the consumer may purchase the product on trial basis.

#### 7. Purchase Decision:

Once the consumer has narrowed down the possible alternatives to just a few, he/she may make a decision to purchase. There are three possible options:

- Make a purchase decision of the short listed brand.
- May postpone the decision to buy in the near future.
- May not buy the product, if none of the short-listed brands meet his/her requirements.

#### 8. Post-purchase Behaviour:

- (a) ***Feedback to the Company:*** The buyer may provide feedback to the company regarding the satisfaction level. This will help the company to make changes in marketing-mix.
- (b) ***Post-purchase actions:*** The marketer may monitor post-purchase action of the customers. A satisfied customer may

become *brand loyal*. He may even become *brand evangelist* and spread good word about the product. But a dissatisfied customer may return the goods or stop further purchases and may warn others through internet reviews or personally.

## MARKET SEGMENTATION

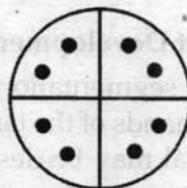
### MEANING AND IMPORTANCE

Market segmentation refers to subdividing a larger market into smaller submarkets. In the words of **William Stanton**, "*Market segmentation is the process of dividing the total, heterogeneous market for a product into several sub markets or segments, each of which tends to be homogeneous in all significant aspects.*"

**Philip Kotler**, defines "*Market segmentation is a process of identifying groups of buyers with different desires or requirements.*"



No Market Segmentation



Market Segmentation

### Importance of Market Segmentation:

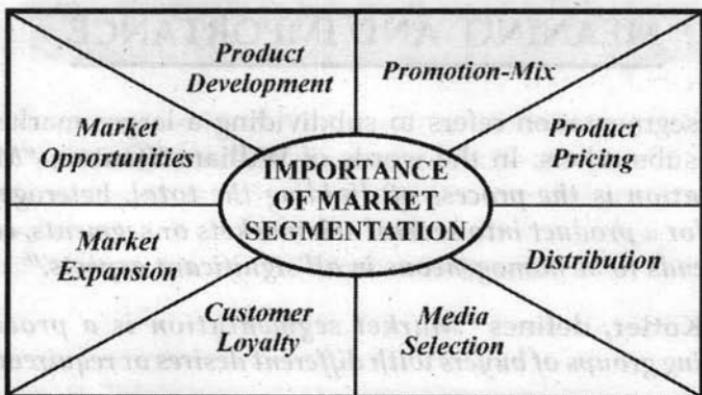
Segmentation of target markets has several advantages :

#### 1. Market Opportunities :

Marketing segmentation enables the marketer to identify the market opportunities. Generally, a market opportunity arises when there is a gap between customer expectations and current product offering by the existing firms.

The marketer may find out the current level of customer satisfaction in relation to current product offering by the existing firms. Low level of customer satisfaction presents an excellent opportunity to serve the customers.

For instance, customers may not be satisfied with the current offering of air-conditioners due to poor after-sale-service and high power consumption. Such situation would enable a marketer to launch compact air-conditioners with lower power consumption.



## 2. Product Development:

Market segmentation helps in designing products that match the demands of the target audience. Products with good market potential may be designed to generate customer satisfaction. For instance, urban youth may prefer stylish motor-bikes and therefore, the marketer may design and market such bikes in urban areas.

## 3. Promotional-Mix:

A company can develop appropriate promotion-mix depending upon the market segment. The promotion-mix can vary depending upon certain factors such as:

- Nature of the product.
- Nature of the customers.
- Competitors' product-mix, etc.

For instance, a company may focus more on sales promotion such as discounts, exchange offers, free gifts, etc., especially when the product is targeted to middle-income group customers.

#### **4. Pricing of Products:**

The market segmentation enables to fix the right prices. Since different market segments have different price perceptions, it is necessary to adopt different pricing strategies for different markets. For instance, the prices charged for price-sensitive segments will have to be lower and accordingly the product and promotional efforts are adjusted.

#### **5. Distribution Strategies:**

Market segmentation also assists in adopting suitable distribution strategies. Different market segments may require different distribution mix. For example, if the product is of very high quality intended to the upper rich class, it must be distributed at prestigious outlets located at selective places.

#### **6. Media Selection :**

It helps in selection of advertising media and in allocating funds to various media. The funds are allocated to various media depending upon the target audience, nature of the product, competitors' advertising etc. For instance, if the target segment consists of mass customers, a company may select mass media to advertise the product.

#### **7. Timing of Marketing Efforts:**

It helps in setting the timing of the promotional efforts so that more emphasis is placed during the peak-response period. For instance, consumer goods can be heavily advertised to Christians during the Christmas season and to Hindus during the Diwali season.

#### **8. Use of Resources :**

By tailoring marketing program to individual market segments, marketers can make more efficient use of marketing resources. For example, a small firm can effectively use its limited resources in one or two segmented markets rather than unsuccessfully aiming at a wider market.

## 9. Better Service to Customers :

Market segmentation enables the company to concentrate its marketing effort in a particular market area, thereby, providing a better service to the *target* customers. Proper marketing segmentation can facilitate customer satisfaction.

## 10. Customer Loyalty:

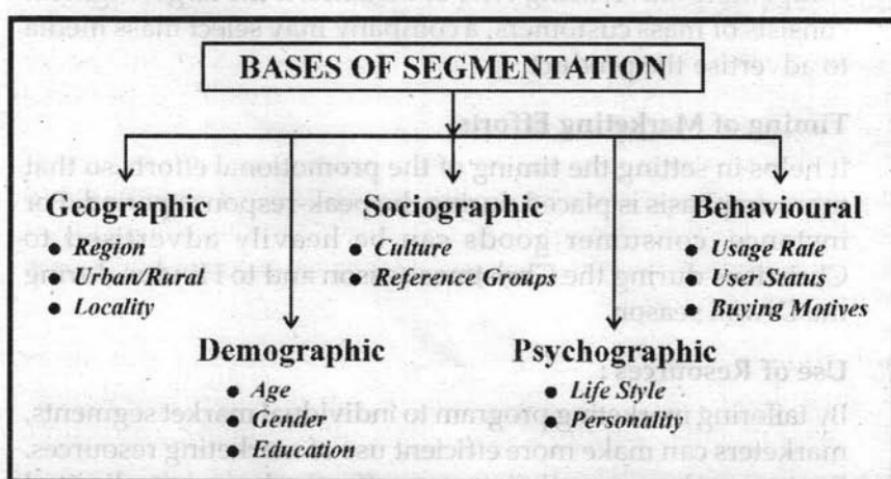
Market segmentation can generate customer loyalty. Due to marketing segmentation, a firm adopts appropriate marketing-mix depending upon the target customers. Proper blending of marketing-mix results in customer loyalty i.e., repeat purchases by satisfied customers, and favourable recommendation of the product by satisfied customers to others.

# BASES OF MARKET SEGMENTATION

The various bases used for segmenting Consumer Markets are as follows:

## I. GEOGRAPHIC SEGMENTATION

In geographic segmentation, the market is sub divided on the basis of area.



**Nations :** Exporters may segment the markets on the basis of countries. For example : Asian markets, North American markets, Western European markets, African markets, etc.

**Region :** Regional segmentation is undertaken because of differences in buying behaviour of customers belonging to different regions. For example, customers from western India may prefer lighter shades of clothes, whereas, southern India customers may prefer darker and brighter shades.

**Urban/Rural :** There are differences in buying behaviour of urban and rural customers. For instance, rural customers are more price sensitive as compared to urban customers.

**Locality :** Buying behaviour is also influenced by the locality within a particular city/town. For instance, there are differences in terms of buying pattern of people living in western suburbs and that of central suburbs of Mumbai.

## II. DEMOGRAPHIC SEGMENTATION

Demography refers to study about the different aspects of population. Markets can be divided on demographic factors like age, gender, education etc. *The various demographic factors are :*

**Age :** The markets can be segmented by age groups, such as children, youth, middle-aged and senior citizens.

**Gender :** Marketers can segment the markets based on gender preferences. Examples include that of textiles and clothing, personal care products, perfumes, footwear, etc.

**Income :** Income level greatly influences buying behaviour of consumers. For instance, upper income group customers may prefer premium brands, whereas, middle income group customers may go for popular brands.

**Education :** Market can be segmented on the basis of education. Most studies indicate that the highly educated people spend more than the low educated in respect of housing, clothing, recreation, etc.

**Family Size :** The consumption patterns of certain products definitely vary with the number of people in the household. For instance, large sized families may purchase large family packs.

### III. SOCIOGRAPHIC SEGMENTATION

The market can be segmented on the basis of sociological factors such as :

**Culture :** The marketer may consider cultural influences while segmenting markets. For instance, youth in urban areas are influenced to a certain extent by western culture, whereas, youth in villages follow more or less traditional culture.

**Reference Groups :** A reference group may be defined as a group of people who influence a person's values, attitudes and behaviour. Consumer behaviour can be influenced by the reference groups like friends circle, club members, etc.

### IV. PSYCHOGRAPHIC SEGMENTATION

It refers to individual aspects like life style and personality.

**Life-Style :** Sellers study the life-styles of the consumers. For example, a manufacturer of readymade garments may design the clothes differently matching different life styles of college-students (more fashionable), office-goers (more sober) and so on.

**Attitude :** A marketer may segment the markets on the basis of attitude. Some buyers may have positive attitude towards certain products, whereas, others may have negative attitude or neutral attitude. The marketer may try to influence the buyers with positive attitude and also those who have neutral attitude and may even try to convert negative attitude to positive attitude of some buyers.

**Personality :** Personality characteristics such as leadership, independence, masculine, impulsive, ambitious, etc., do influence buying behaviour.

### V. BEHAVIOURAL SEGMENTATION

In this case, buyers are divided into groups on the basis of their response to the product - usage rate, user status, loyalty status, buying motives and so on.

**Usage Rate :** One possible way to define target market is by product usage. There can be heavy users, medium users, light users and nonusers. The seller would like to increase consumption by present users and induce nonusers to become users.

**User Status :** Market can be segmented on the basis of user status such as: non-user, ex-user, potential user, first-time user, regular-user and so on.

**Buying Motives :** Buyers buy the product with different buying motives such as pride, convenience, fear, etc. Accordingly promotional appeals can be directed to the target audience.

*Note : Students may briefly explain two points in each group and list out others under Geographic and Demographic segmentation.*

## **CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**

### **Meaning**

Philip Kotler and Gary Armstrong in their book 'Principles of Marketing Management' define "**CRM is concerned with managing detailed information about individual customers and all customer "touch points" to maximise customer loyalty.**"

The touch points include every contact between the customer and the company, which includes customer purchases, payment interactions, service calls, satisfaction surveys, etc. CRM integrates everything that a firm's **marketing, sales and services teams** know about individual customers. The aim of CRM is to **build customer equity**.

### **Techniques of CRM**

Firms use a number of techniques to build, maintain and enhance CRM. The techniques include the software programmes,

promotional techniques, pricing strategies, MVCs Programmes and so on. Some of the techniques are as follow:

### **1. Data Warehousing and Data Mining:**

CRM analysts develop data warehouses and use data mining techniques to develop and maintain long term relationships with valuable customers.

- *A data warehouse is a companywide electronic database of detailed customer information.* The purpose of data warehouse is to gather information and to store it at 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 utilised for various marketing decisions: Product design/modification, Product pricing, Promotion mix, Distribution and so on.

### **2. Loyalty Programmes:**

Firms may use variety of loyalty programmes to retain customers. *For instance, airlines may offer special discount for frequent fliers. Firms may also provide gifts and other benefits to 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; which customers to be given extra care and attention. In other words, the firm has to determine the value of its customers and accordingly focus on MVCs.

### **3. One-to-One Marketing:**

Some firms adopt one-to-one marketing. 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 service. If the customer gets involved with the firm, he is more likely to remain with the firm.

#### 4. Priority Customer Programmes:

Some firms introduce priority customer programmes. *The priority customers are the MVCs. They are given priority in after-sale-service, delivery, resolving complaints, etc.* Priority customer programmes are followed by several organisations, especially in the banking industry.

For instance, AXIS Bank maintains a list of priority customers and provides them with additional facilities and occasionally provides such customers special offers such as free tickets to concerts, movies and so on. Some banks like Catholic Syrian Bank provide personalized service to priority customers.

#### 5. After-sale-service:

Professional business firms place lot of emphasis on after-sale-service. They consider that after-sale-service is the vital differentiator to gain customers trust and support. Effective after-sale-service decisions are made to enhance customer relationship. The decisions include:

- Selection of competent after-sale-service staff.
- Training the after-sale-service staff to enhance knowledge, attitude, skills and social behaviour.
- Motivating the after-sale-service staff with monetary and non-monetary incentives.

#### 6. Satisfaction Surveys:

A firm may conduct post-purchase satisfaction surveys. Such surveys help to find out the level of customer satisfaction. If required, necessary measures are taken to improve customer satisfaction level, which in turn helps to develop long-term relationship with loyal customers.

#### 7. Customer Service Agents:

Nowadays, professional firms appoint customer service agents. Customer service agents need to have good communication skills as they need to communicate clearly and professionally with the customers.

Customer service agents talk to customers on behalf of companies and businesses. They often answer questions, resolve problems, provide information and process sales.

Some customer service agents work in designated call centers, where they can answer phone calls and respond to emails of customer and CSA may work for specific companies such as banks, airlines and insurance agencies.

For instance, in an airline, customer service agents are responsible for making sure that passengers and their luggage safely board the right aircraft at the right time.

#### 8. Suggestion Schemes :

It is said that 20 percent of customers contribute to 80% of sales (80 : 20 principle). If this is true, in the case of some firms; then such firms must be in constant touch with their loyal customers and invite suggestions from them in respect of product, price, promotion, positioning, etc. Valuable suggestions must be rewarded.

Such a move will not only enable the firm to make changes in marketing-mix as per customers' expectations but it will also help to develop long-term relationship with the customers.

## **MARKET TARGETING**

### **Concept**

A company cannot market its products to all the segments of the market. Generally, a company intends to serve few market segments. The segments which a company intends to serve are called the target market, and the process of selecting the target market is referred as market targeting.

Market targeting should not be confused with market segmentation. Market segmentation is the prelude to market targeting. Market segmentation enables a firm to divide the entire market into several segments, but all the segments do not form the target market. The

target market includes only those segments which a company intends to target to market its products.

**Market targeting** is a process of selecting the target market from the entire market area. Target market consists of group(s) of buyers to whom a company wants to satisfy with a suitable marketing-mix.

Investopedia defines "a **target market** is the **market** a company wants to sell its products and services to, and it includes a **targeted** set of customers for whom it directs its **marketing efforts**".

Market targeting consists of dividing the total market into segments, evaluating these segments, and selecting the appropriate segment(s) as the target market.

In evaluating the segments, a company must consider two factors:

- The segment's overall attractiveness in terms of market size, profitability, long term growth potential, market risk, etc.
- Company's objectives and resources.

## **Five Patterns of Target Market Selection**

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D.F. Abell presented five patterns (options) of market selection, which was later popularised by Philip Kotler. Selection of a suitable option depends on the firm's internal and external environment.

### **1. Single Segment Concentration:**

A company selects only a specific market segment and offers a single product to that segment. For instance, a car company may design a new model of car only for the higher income group. The company may resort to niche market (small segment of the market). Generally, only one marketing-mix is designed to satisfy the target market.

The single segment strategy is also called as concentration market targeting strategy. It involves one segment, one product, and one marketing-mix.

### **Advantages:**

- This strategy is suitable to new entrants in the markets.
- The marketer can make best use of the resources.
- The marketer can easily understand the needs and wants of the target customers.
- The marketer can enjoy strong brand loyalty of its customers.
- The firm may enjoy economies of large scale, if the product is manufactured and distributed on a larger scale.
- The company can enjoy leadership position in the target market, and therefore can earn higher return on investment.

### **Disadvantages:**

- In the long run, the firm may find it difficult to enter in new segments, because of strong hold by the competitors.
- Concentrating on one market segment may result in more marketing risk (due to changes in fashion, habit, lifestyle) and therefore, a firm may not be able to spread marketing risks. Therefore, a company may prefer to enter in new market segments to minimize the degree of risk.
- New competition may enter the market segment, thereby, taking away a part of the market share.

## **2. Selective Specialization:**

This strategy is also referred as multi-segment strategy. A company selects number of segments and markets different products to each of the segments. In this option, the company selects a number of segments. A company selects several segments and sells different products to each of the segments. All such segments are attractive and appropriate with firm's objectives and resources.

Under this pattern, a company selects multi-segments, offers different products with different marketing-mixes. For example,

a car company may manufacture different models of cars catering to upper income group, middle income group and lower income group.

### **Advantages:**

- The company adopting this strategy will be in a position to diversify its marketing risks. When a firm suffers risks from one or two segments, it can gain returns from other segments, thereby, spreading the marketing risks.
- The firm may be able to make optimum use of its production and distribution capacity.
- A firm would be in a position to earn goodwill of large number of buyers in the market.
- The firm may be able to launch new products in the market as it enjoys the goodwill of several segments.

### **Disadvantages:**

- There may be little or no synergy among the segments.
- Promotion costs will be higher as the marketer will have to use different tools and media to satisfy different market segments.
- The firm may not be able to gain economies of scale in respect of various products.
- There may be high inventory costs, as the firm may have to maintain inventory of several products.
- The firm may fall into the trap of trying to satisfy everybody and ending up with satisfying nobody.

### **3. Product Specialization:**

A company makes a specific product and markets it to several segments. Generally, the marketer adopts one marketing mix: only one product, same price, only one promotion-mix and same distribution channel. This strategy option can be also called as mass marketing strategy.

**Advantages:**

- Large number of customers can be served with a single product.
- There can be lower costs of production and distribution.
- A company can save its time and effort in marketing the product.
- A company may be able to generate higher returns due to economies of scale.
- A company can build strong reputation in the specific product category.

**Disadvantages:**

- A company may not be able to satisfy specific needs and wants of specific segments or customers.
- This strategy is not suitable to marketing of luxury or premium products.
- A company may not be able to spread marketing risks.
- A company adopting this strategy will have to face lot of competition in the market.

**4. Market Specialization:**

Under this strategy, a company provides different products to cater to the needs of one market segment. This strategy can be also referred to as multi-product strategy. It involves one segment, different products and several marketing mixes.

For instance, a company may select only one segment consisting of middle income group and market to them several products such as cars, washing machines, refrigerators, television sets, etc. Another example is that of a publication house which caters to only college students by publishing college text-books, general knowledge books, personality development books, books for competitive exams, etc.

**Advantages:**

- A firm may be able to spread marketing risks as it markets several products.
- It can earn goodwill and loyalty of a particular market segment.
- A company will be in a position to launch different products to a particular segment because of the loyalty of the customers in that market segment.

**Disadvantages:**

- The firm may not be able to gain economies of scale in respect of various products.
- There may be high inventory costs, as the firm may have to maintain inventory of several products.
- A firm may have to face lot of competition in the market which will erode its bottom line.

**5. Full Market Coverage:**

A company attempts to serve all the customer groups with all the products they need. All the needs of all the segments are served. Only a very large firm with lot of resources may undertake this strategy.

***Methods of Full Market Coverage:***

Philip Kotler identifies two methods for undertaking full market coverage:

- (a) ***Undifferentiated Marketing:*** Company adopting this strategy ignores market segment differences. The products and marketing-mix remains the same for all the customers in all the segments. The firm depends on mass production, mass distribution and adopts the same promotion-mix and same pricing strategy.

### **Advantages:**

- The main advantage is that the firm is in a position to reduce the costs of production and distribution, thereby, gaining economies of large scale, which helps the firm to reduce prices and earn higher returns on investment.
- Due to lower prices, the firm may be in a position to generate customer loyalty.
- This strategy is suitable to attract price sensitive customers.

### **Disadvantages:**

- Customers in different segments differ in terms of needs and preferences, and therefore, this strategy is rarely used.
- There is a possibility of stiff competition in the market, which may erode bottom line of the company.
- A company needs to maintain lot of inventory of different types of products.

**(b) Differentiated Marketing:** A company operates in several segments and designs several marketing mixes to satisfy various segments. Under this strategy, different products with different marketing mixes are adopted to cater to the needs and preferences of the target markets.

This strategy is based on the assumption that each market segment needs different products. This strategy is adopted by car companies – different models of cars for different segments with different marketing mixes.

### **Advantages:**

- A company may be able to earn goodwill and loyalty of different segments.

- A company may be able to earn higher returns on investment as it caters to different segments.
- A company may face less competition in the market due to its high brand image and loyalty.

#### *Disadvantages:*

- A company may have to spend higher costs on R&D.
- A company may find it difficult to get premium image in the minds of upper income groups as it also caters to middle and lower income groups.
- A company may have to keep high levels of inventory of different models.
- A company may have to spend more money on administration, promotion and other expenditures.

### **REVIEW QUESTIONS**

1. Define Marketing. Explain its features.
2. Discuss the importance of marketing.
3. What are the functions of marketing?
4. Describe the evolution of the concept of marketing.
5. Distinguish between Strategic and Traditional marketing.
6. Define marketing research. Explain its features.
7. Explain the steps in the process of marketing research.
8. Define marketing information system. Explain its components.
9. What is data mining? Explain its importance.
10. Define consumer behaviour. Explain the factors influencing consumer behaviour.
11. Define market segmentation. Explain its benefits to marketers.
12. What is CRM? Explain its techniques to develop customer loyalty.
13. Define market targeting. Discuss the five patterns of target market selection.

## **OBJECTIVE QUESTIONS**

**1. Fill in the blanks with the correct option given in the bracket:**

- (a) When product performance is more than customer expectations, it results in \_\_\_\_\_.  
(customer delight, customer satisfaction, customer dissatisfaction)
- (b) \_\_\_\_\_ concept of marketing assumes that customers will prefer those products which are aggressively promoted.  
(Selling, Marketing, Societal)
- (c) \_\_\_\_\_ concept of marketing starts with identifying customer wants and ends up with the satisfaction of those wants.  
(Marketing, Product, Production)
- (d) \_\_\_\_\_ concept of marketing aims at a balance between society's welfare, customer satisfaction and company's profits.  
(Societal, Selling, Production)
- (e) \_\_\_\_\_ concept of marketing assumes that customers will prefer those products that are widely available and are low in cost.  
(Production, Product, Selling)
- (f) \_\_\_\_\_ strategy refers to introduction of new products in the markets.  
(Product Development, Market Development, Market Penetration)
- (g) \_\_\_\_\_ is the outcome of large scale production and distribution of goods.  
(Economies of scale, Marketing research, Marketing intelligence system)
- (h) \_\_\_\_\_ is the incremental value of a brand over and above its physical assets.  
(Brand equity, Brand image, Brand loyalty)
- (i) \_\_\_\_\_ research enables the marketer to identify the preferences of customers.  
(Consumer, Dealer, Market)
- (j) \_\_\_\_\_ marketing differentiates a firm from its competitors.  
(Strategic, Relationship, Integrated)
- (k) Observation is an important method of data \_\_\_\_\_.  
(collection, analysis, interpretation)
- (l) \_\_\_\_\_ refers to subdividing a larger market into smaller markets.  
(Market segmentation, Niche Marketing, Marketing research)
- (m) Market segmentation is the \_\_\_\_\_ activity of a marketer.  
(primary, secondary, tertiary)

- (n) \_\_\_\_\_ is an important element of sociographic segmentation.  
(Culture, Age, Usage Rate)
- (o) \_\_\_\_\_ is an important element of behavioural segmentation.  
(Buying Motives, Gender, Region)
- (p) \_\_\_\_\_ is an important element of demographic segmentation.  
(Age, Life Style, Locality)
- (q) \_\_\_\_\_ marketing refers to marketing to small segment of the market.  
(Niche, Small, Special)
- (r) In \_\_\_\_\_ segmentation, consumers are classified on the basis of life style and personality traits.  
(Psychographic, Demographic, Geographic)
- (s) \_\_\_\_\_ data is the first hand information collected for research.  
(Primary, Secondary, Outdated)
- (t) \_\_\_\_\_ data refers to the data which is readily available.  
(Secondary, Primary, Outdated)
- (u) \_\_\_\_\_ involves gathering, recording, analysing, data about specific marketing problems. (Marketing research, Marketing information system, Research and Development)
- (v) Marketing decision support system is an important component of \_\_\_\_\_.  
(marketing information system, marketing research, brand research).

**Hint: The first option is the correct option.**

**2. State whether the following statements are true or false:**

- (a) When product performance is below customers' expectations, the customers are delighted.
- (b) Market penetration refers to entry of business firms in new markets.
- (c) Internet marketing is the marketing of goods through telephone.
- (d) The terms 'marketing' and 'selling' are synonymous.
- (e) Marketing is concerned only with mass markets.
- (f) The societal concept of marketing considers only societal interest.
- (g) Marketing is influenced only by micro environmental factors.
- (h) The terms 'brand image' and 'brand equity' are synonymous.
- (i) The production concept places emphasis on marketing research.
- (j) Marketing research includes only consumer research.
- (k) Consumer behaviour is influenced only by marketing factors.
- (l) Buying motive is an important situational factor that influences consumer behaviour.

- (m) The consumer behaviour of all urban youth is universal in nature.
- (n) The age factor is an important psychological factor that influences buyer's behaviour.
- (o) Culture is an important element of behavioural segmentation.
- (p) Niche marketing involves marketing of products to all nice people.
- (q) Test marketing means launching the product over a larger market area.
- (r) Marketers need not know the customer's perception of the product.

**Hint:** All Statements are false.

### 3. Match the Columns :

I.	Group A	Group B
1.	Selling Concept	(a) Goods at low price
2.	Production Concept	(b) Good quality goods.
3.	Product Concept	(c) Green goods
4.	Marketing Concept	(d) Aggressive promotion
5.	Societal Concept	(e) Relationship with stakeholders
		(f) Customer needs and wants
		(g) Consumers buy whatever available

**Ans:** (1) - (d), (2) - (a), (3) - (b), (4) - (f), (5) - (c)

II.	Group A	Group B
1.	Geographic Segmentation	(a) Region
2.	Demographic Segmentation	(b) Personality
3.	Sociographic Segmentation	(c) Selling Points
4.	Psychographic Segmentation	(d) Gender
5.	Behavioural Segmentation	(e) After-sale-service
		(f) Culture
		(g) Usage Rate

**Ans:** (1) - (a), (2) - (d), (3) - (f), (4) - (b), (5) - (g)

# 2

# MARKETING DECISIONS - I

*"Customers can't always tell you what they want, but they can always tell you what's wrong."* - Carly Fiorina



- *Marketing Mix*
- *Product Decision Areas*
- *Product Life Cycle (PLC) - Concept*
- *Management of PLC*
- *Branding : Concept - Components*
- *Brand Equity : Concept - Factors Influencing*
- *Packaging : Concept - Essentials*
- *Product Positioning : Concept - Strategies*
- *Service Positioning : Importance*
- *Service Positioning - Challenges*
- *Pricing : Concept - Objectives*
  - *Factors Influencing*
  - *Pricing Strategies*

III.	<b>Group A</b>	<b>Group B</b>
	1. Marketing Information System	(a) Marketing Decision Support System
	2. Niche Marketing	(b) Small Segment
	3. Marketing Research	(c) Solves Specific Problem
	4. CRM	(d) Satisfaction Surveys
	5. Market Segmentation	(e) Subdividing the Market
		(f) Grouping the Markets
		(g) Placement of Product

*Ans: (1) - (a), (2) - (b), (3) - (c), (4) - (d), (5) - (e)*

## MARKETING MIX

### MEANING AND FEATURES OF MARKETING MIX

Marketing-mix refers to the marketing variables that combine to sell a product to the target market. In 1960, E.Jerome McCarthy in his book "*Basic Marketing*", popularised a four factor classification, the so called - "4Ps" : *Product, Price, Place (Distribution), and Promotion.*

At present, additional Ps are added : Pace, Positioning, Packaging, Processes of delivery, People, and Physical Environment.

*"The basis of marketing operations is the co-ordination of four key variables, namely: product, price, place and promotion."*

- E. Jerome McCarthy.

*"Marketing-mix is the term that is used to describe the combination of the four inputs that constitute the core of a company's marketing system: the product, the price structure, the promotion activities, and the distribution system."*

- William Stanton.

*" Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market."* - Philip Kotler.

### Features of Marketing Mix: (For Reference)

The main features of marketing mix are as follows:

#### 1. All Pervasive:

The marketing mix is applicable not only to business organisations, but also to non-business organisations, such as social clubs, educational institutions, etc. For example, an educational institution may adopt marketing mix as follows:

- Designing the right courses (*product*).

- Charging the right fees (*price*).
- *Promotion* of the institution and of the courses.
- Providing the courses at the right *place*.

## 2. Blended in Many Ways:

Marketing mix can be blended in several ways depending upon the nature of the product, firm's objectives, competition, and customer expectations.

For instance, a firm may:

- Improve the *product design* and increase the *price*.
- Modify the *product* and increase the *promotion* to induce buyers.
- Introduce a *new product* in a *new market* with higher *promotion*.
- Reduce the price and increase distribution in new markets.
- Increase the price and increase promotion expenditure.
- Increase distribution network and increase promotion, etc.

While blending the marketing mix, the marketer may juggle all the elements or some elements of marketing mix.

## 3. Creativity in Developing Marketing-mix:

An appropriate blending of the variables or ingredients needs a lot of skill, experience, imagination and intelligence on the part of the marketing manager. Although, on paper it looks to be a very easy exercise, but in practice, one has to use creative efforts in coming out with a right blend of the 4Ps.

## 4. Dynamic in Nature:

The marketing mix is a dynamic concept. It is necessary to review and revise the marketing mix depending upon the market environment. If there are changes in the market environment, then the marketing mix needs to be adjusted to meet the challenges of the new environment.

For instance, a major competitor may change its pricing strategy, so the marketer may also make changes in pricing strategy.

#### 5. Environmental Variables:

Marketing mix of a product is greatly influenced by environmental variables. The environmental variables that influence marketing-mix include customer preferences, competitors' strategies, government policies, international environment, etc.

For instance, if the customers expect compact air-conditioners with low power consumption, the manufacturers must design such a product to gain competitive advantage in the market.

#### 6. Focus on the Customer:

The main focus of the marketing mix is the customer. All the variables of the marketing mix are directed at customer satisfaction. The marketing mix has to change as per the likes, dislikes, tastes, preferences, buying habits, and purchasing power of the customers.

Therefore, marketers need to carry out detailed customer analysis and give appropriate weightage to different elements based on customer expectations. For instance, urban youth may prefer stylish bikes and not just fuel efficient bikes, and therefore, the marketer must design such a product to meet customer expectations.

#### 7. Goals of the Organisation:

Marketing mix must be designed to satisfy the customer and to achieve organisational goals. The organisational goals or objectives include:

- Increase in Profits.
- Increase in Market Share.
- Improvement in corporate image, etc.

#### 8. Product Life Cycle and Marketing Mix :

A change in product life cycle requires a change in marketing mix:

- At the *introductory stage*, the firm may give more importance to promotion especially advertising and sales promotion to create awareness and to induce buyers.
- At the *growth stage*, more emphasis may be placed on promotion and distribution elements.
- At the *maturity stage*, the firm may focus on distribution and product modification.
- At the *decline stage*, the firm may focus on dealers' promotion and price cuts.

#### **9. Organisational Changes and Marketing Mix:**

A change in the organisation may result in change in marketing mix. For instance, change in CEO may result in a change in marketing mix. Some CEOs may give more weightage to R&D and less to promotional aspect such as advertising. Therefore, there would be more focus on product development and modification, and less focus on promotional element.

#### **10. Different Marketing Mix for Different Brands:**

A company may adopt different marketing mix for different brands depending upon the target customers and other factors. For instance, HUL adopts different marketing mix for different brands such as Wheel, Surf, etc. The Wheel (the number 1 brand of HUL in India) is priced lower as it is targeted to middle income group and customers in rural areas. But the Surf detergent brand is priced higher as it is targeted to middle-upper income group and upper income group especially in urban areas.

#### **11. Variables are Inter-related:**

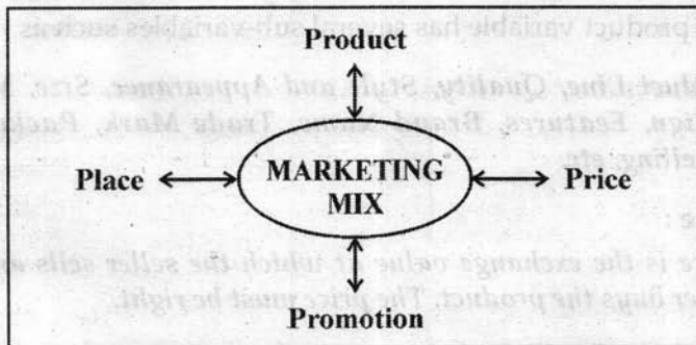
The four ingredients in the marketing mix are interrelated. Decisions in one area usually affect action in the other areas. For instance, if the organisation is coming out with a new improved product, then it may have to change its promotional effort and even the price.

## ELEMENTS/COMPONENTS OF MARKETING MIX

Traditionally, marketing mix was composed of 4 Ps - *Product, Price, Promotion* and *Place*. Now-a-days, marketing experts give importance to three additional P's of marketing-mix - *Pace, Packaging, and Positioning*.

Each of the elements or variables of marketing-mix are inter-related. A change in one variable may necessitate a change in other variables. For instance, a change in product may necessitate changes in price, promotion, positioning, packaging etc.

The marketing manager should blend or combine the variables in the best possible manner so as to achieve maximum possible results. The combination of the marketing-mix variables should generate maximum possible sales and bring good returns to the firm.



*Figure shows Basic Elements of Marketing Mix*

### 1. Product :

A product can be defined as *anything that is offered to the market* for attention, acquisition, and consumption that can satisfy a need or want. A product can be ideas, goods and services that can generate customer satisfaction.

*The company may follow either single brand strategy or a multi-brand strategy.* In case of a single brand strategy, one single brand is offered to the target market. In case of multi-

brand strategy, the company offers two or more brands to satisfy different market segments.

*A company may concentrate on core product line business or a diversified product line business.* In case of core product line business, a company focuses on a single product line. The single product line may have one or more brands.

For instance, a pharmaceutical company's core business line is drug and healthcare products.

There are some companies that adopt diversified product line business where different product lines are marketed.

For instance, a company may undertake to market cement, steel, textiles, automobiles, etc. However, it is to be noted that good number of companies concentrate on core line business in order to gain competitive advantage.

The product variable has several sub-variables such as -

*Product Line, Quality, Style and Appearance, Size, Model, Design, Features, Brand Name, Trade Mark, Packaging, Labelling, etc.*

## 2. Price :

*Price is the exchange value at which the seller sells and the buyer buys the product. The price must be right..*

The price should neither be too high nor too low. If the price is too high, the customer's may prefer competitor's product and if it is too low, the firm may not get adequate returns and also the buyers may equate too low price to low quality.

*Product's price depends upon several factors such as: costs, demand, competition, nature of consumers, etc.* Proper pricing is important as it generates higher sales and higher profits, apart from other advantages.

*The price variable has several sub-variables such as - List Price, Discounts, Credit Period, Credit - Terms, Delivery Terms, Maintenance Contract, Instalment Facilities, etc.*

### 3. Promotion :

*Promotion involves all the activities the company undertakes to communicate and promote its products to the target market.*

*Promotion mix consists of advertising, sales promotion, public relations, publicity, personal selling, and direct and on-line marketing.*

Promotional activities need to be undertaken not only to induce buyers to buy but also to motivate the dealers to stock and promote the product.

*The promotional mix is greatly influenced by the promotion strategy which a company chooses - push strategy or pull strategy.*

- *A push strategy involves marketing efforts (mainly personal selling and trade promotion directed at intermediaries (dealers) to induce them to stock and promote the product to end users.*
- *A pull strategy involves marketing efforts (mainly advertising and consumer oriented sales promotion) directed at end users to induce them to demand the product from the dealers.*

### 4. Place :

*Place includes the various activities the company undertakes to make the product available to target audience.*

*The place mix involves - Distribution Channels, Dealer Relations, Channel Remuneration, Area Coverage, Transport, and so on.*

A major area of place mix is the channels of distribution. The marketer must select, motivate and manage the channel of distribution through which the product reaches to the buyers.

### 5. Pace :

Pace refers to the speed at which marketing decisions and actions are taken. *Marketers consider Pace as an important*

*element of marketing mix.* Due to stiff competition, decisions taken at the right speed can give competitive advantage to the firm.

*The right product at the right price with the right promotion must be made available to the consumers at the right time and place.*

#### 6. **Packaging :**

Packaging is an important aspect of the product itself. Now-a-days, packaging has gained great significance in the marketing of products, therefore, marketers consider packaging as an important element of marketing-mix.

*Packaging plays an important roles:*

- (a) It protects the product during transit - loading and unloading.
- (b) It preserves the quality of the product.
- (c) It promotes the products. An attractive package influences consumer views about quality and value of the product.

#### 7. **Positioning : *Product positioning aims at creating and maintaining a distinct image of the brand in the minds of target customers.***

If the product is positioned effectively, then the marketer is assured of higher sales of the product.

*Positioning can be undertaken by the use of various techniques such as:*

- Positioning by specific product features.
- Positioning by the use of the product.
- Positioning by product benefits.
- Positioning by the user category, etc.

## **Additional Elements of Marketing Mix for Services:**

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There are other elements of marketing mix, especially for services, which are stated as follows:

8. **People :** Customers often judge quality of service based on their assessment of people providing the services. Despite technology advances, many services still require direct interaction between the service staff and the customers. The nature of these interactions strongly influences how customers perceive the service quality.

Nowadays, professional service providers make serious efforts in recruiting, training, placement, performance appraisal, promotion and motivating the service staff so that customers are provided with quality services.

9. **Physical Evidence :** Physical evidence is a vital element of services marketing. Some services are highly intangible, and therefore, physical evidence plays an important role in creating a good impression on the customer. The physical environment provides visible cues of the quality of service.

The elements of physical evidence would include:

- External surroundings where the service firm is located.
- The structure and layout of the building in which the service firm is located.
- The internal environment, i.e., ambience/décor.
- The furniture and fixtures inside the office.
- The dress/uniforms of the service staff.
- The lighting and ventilations, etc.

10. **Process :** *The service process relates to HOW a service product is delivered to the customers. It involves the method and the sequence of actions with which the firm delivers the service elements.* The service staff must play an effective role in the

service process. Customer may also take part in the service process.

**For Example:**

Service process in a restaurant would involve:

- Customer places order for food with specific instructions relating to the food that he/she wants - spicy, non-spicy, etc.
- The waiter takes the orders and instructs the chef accordingly.
- Once the food is cooked, the waiter serves to the guest
- Billing is made for the food services.
- The guest makes the payment.

11. **Productivity and Quality:** *Improving productivity and quality of service is vital to the success and survival of the service firm. Due to stiff competition in the market, the service providers needs to constantly innovate to improve the productivity as well as the quality of services.*

*Improvement in Productivity* can be undertaken through training and motivating service staff. The service firm may also resort to cost-cutting measures. While cutting costs, the service provider must ensure that the quality of service confirms to customer requirements. The service firm must beware of making inappropriate cuts in service that would be resented by customers, and at times even by employees.

*Improvement in quality* should be defined from a customer perspective. Quality improvement must be undertaken on a continuous basis to enhance customer satisfaction and loyalty. It is to be noted that service firms must consider the trade-off between incremental costs involved in service quality improvement and the incremental revenues. It makes no business sense to improve quality dimensions when the customers are not willing to pay extra for the added quality dimensions.

## PRODUCT DECISION AREAS

The product manager and the marketing manager need to take product decisions in several areas. The product decision areas are as follows:

### 1. Product Design:

Product design plays an important role in gaining customer acceptance. Product design is the process of creating new and improved products. The product designer's role is to combine art, science, and technology to create new and improved products.

Managers must be proactive in designing and re-designing the products. For effective product designs managers need to conduct:

- **Marketing research** – to identify customers' preferences.
- **Research and development** – to come up with innovative designs and to modify the designs of existing products.

### 2. Product Mix/Product Line Decisions:

*The marketer should decide whether to concentrate on one product or deal with a product mix/product line. Product mix involves a set of product, which a marketer may offer to the market.*

For instance, a firm may offer food products, toiletries, detergents, and so on. Product line is a group of related products. For instance, a food items product line may include milk powders, health drinks, fruit juices, confectionaries, etc.

Some firms may concentrate on a single product may be to concentrate all their efforts on that product or may be due to lack of resources. Other firms may go a product mix, especially; FMCG (fast moving consumer goods) companies prefer product-mix in order to make optimum use of resources, and to generate higher returns.

### 3. Product Packaging:

*The marketer should design the proper packaging. Packaging serves various purposes – protection, preservation, and promotion of the product.*

Packaging depends upon several factors such as nature of the products, price of the product, nature of customers, etc. For instance, if the product is meant for upper class audience, then the product packaging must be of high quality and attractively designed.

Environmental aspects need to be considered, especially when the product is exported to developed nations. Bio-degradable, recyclable, reusable packaging is now the order of the day.

### 4. Product Labelling:

Labelling indicates the contents of the product. Like packaging, effective labelling can promote the product. Developed countries insist on certain instructions on the product's labels.

For instance, the European Union insists on the amount of pesticides and insecticides used on horticultural products. Also, on packaged food products and medicines, specific instructions must be labeled.

The EU also insists that labelling must be done in at least 4 major languages spoken in European Union (English, Spanish, French and German). Even in India, it is advisable to have multilingual labels, especially in the case of medicines.

### 5. Product Pricing:

*Products must be properly priced. The marketer should consider important factors while pricing the product, such as costs, demand, competition, nature of the product, nature of consumers, objectives of the firm, and so on.*

The marketer must choose a proper method of pricing. The pricing methods are broadly divided into two groups:

- (a) Cost-oriented methods such as markup pricing, cost plus pricing, etc.

- (b) Market-oriented methods such as going rate pricing, differential pricing, etc.

#### 6. Product Positioning:

*Positioning refers to the marketing efforts directed at creating and maintaining a distinct image in the minds of target audience of the brand/product vis-à-vis competing brands.*

The marketer should adopt an effective positioning strategy in order to create a distinct and favourable image in the minds of the target customers. Positioning can be done on the basis of the features, use, price, etc.

#### 7. Product Promotion:

The marketer has to resort to promotional activities to inform and to induce the target customers to purchase the products. *An effectively promoted product can be easily sold in the market. Therefore, a firm must decide about the promotion mix, which includes advertising, sales promotion, sponsorships, personal selling, publicity, and so on.*

#### 8. Product Warranty:

*A warranty is a guarantee or assurance from the manufacturer that the product will perform as stipulated. The marketer should decide about the period of warranty, and the nature of warranty – whether on the entire product, or certain parts of the products, and so on.* If the marketer sells in different markets, then he may have to decide either to give the same warranty in all the markets, or to customize for each market or region.

#### 9. Branding Decisions:

*Branding decision forms an important aspect of product planning. Firms must consider the essentials of branding while giving brand names, and marks to their product.*

For instance, a brand name should be easy to pronounce, and should be short as possible, and relevant to the product. Language is vital in Indian markets. In India, some marketers make a mistake of giving English names to products targeted to middle-lower, and lower class of the society. (In India, about 5% of the population knows English).

## 10. After-sale-service:

The marketer should decide about the after-sale-service decisions, especially in the case of consumer durables, and on industrial items such as machinery. In India, the after-sale-service is very poor due to lack of training and motivation.

Effective after-sale-service is vital to build long-term customer relationship. Therefore, business firms should train their service force not only in terms of skills to maintain or repair the product, but also to have a proper attitude towards the customers.

## 11. Product Distribution Decisions:

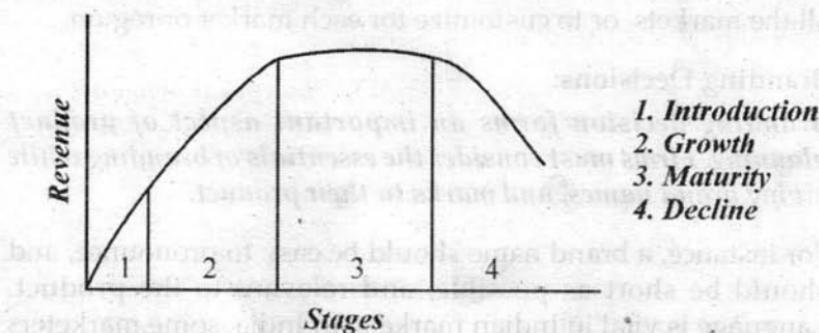
Product planning also involves distribution decisions. The marketer should select the right distribution channels to reach to the customers.

The choice of channels depends upon several factors, such as nature of the product, nature of customers, philosophy of the firm, competitors' strategy, market area coverage, and so on.

As far as possible, the number of channel intermediaries must be less, so as to provide better value to the customer.

## PRODUCT LIFE CYCLE - CONCEPT & STAGES

A product passes through different stages or phases during its lifetime. The main stages of product life-cycle are as follows:



1. **Introduction**
2. **Growth**
3. **Maturity**
4. **Decline**

## 1. PRODUCT DEVELOPMENT STAGE

Product development stage begins when a company generates a new product idea. The product idea is researched and developed into a new product.

**Objective :** To research and develop a new product.

The main features of development stage are:

- Development of new product ideas.
- Research and Development.
- Product tests or trials may be undertaken.
- Publicity may be undertaken to create awareness.

## 2. INTRODUCTION STAGE

The introduction stage begins when a new product is launched for the first time in the market.

**Objective:** To create product awareness.

The main features of introduction stage are:

- Generally, low or moderate *sales* depending upon the type of product.
- The company may introduce *limited product range*.
- The company may make *low profit*, and may even suffer losses due to high overhead expenditure.
- The company needs to incur high *promotional expenditure* – such as advertising to create awareness, and sales promotion to induce buyers.
- Generally, *penetration pricing strategy* may be adopted, especially when the product launched is more or similar to existing competitors' brands. The company may adopt skimming pricing strategy in the case of innovative products.
- The market *area coverage* may be limited to a particular zone or area.

### 3. GROWTH STAGE

During the growth stage, demand for the product increases. The company may also increase its profits and market share.

**Objective:** To increase the market share and profits.

The main features of growth stage are:

- Increase in sales and increase in *market share*.
- There may be rise in *profits*.
- The firm may *increase product range* with new models.
- Expansion in distribution coverage.
- Changes in *pricing* depending upon environmental factors.
- *Aggressive promotion* and marketing.

### 4. MATURITY STAGE

During this stage, the sales remain more or less stagnant, and profits and market share may tend to decline.

**Objective:** To defend market share.

This stage is **characterized by**:

- *Sales* remain more or less *stagnant*.
- *Decline in profits* due to increase in marketing costs.
- *Decline in market share*.
- *Retentive advertising* to remind customers.
- The firm may have to face *intense competition* in the market.

### 5. DECLINE STAGE

In the decline stage, sales decline due to lower demand from customers. The marketer may reposition the product or modify the product or even take a decision to drop the product from the product-mix.

**Objective:** To cut down the costs and reduce the losses.

This stage is characterized by:

- **Decline in sales.**
- **Decline in Profits.** The company may face losses.
- **Withdrawal** or modification of the product.
- **Decline in promotion expenditure** to reduce costs.
- **Reduction in distribution coverage**, especially withdrawal from markets with low share.

## MANAGEMENT OF PRODUCT LIFE CYCLE STAGES

Firms have to manage the products during the product life cycle. For this purpose, firms use various marketing strategies during different phases of the product life cycle. The various marketing strategies that may be adopted during the different phases of product life cycle are as follows:

### I. AT THE INTRODUCTION STAGE

Companies introducing a new product have to adopt certain marketing strategies in respect of product, price, promotion and distribution.

The following are the various strategies at the introduction stage:

1. **Product Strategy :** Normally, the firm will concentrate on the single product which is introduced. The firm may not go for product line extension. The firm may not come up with various models. However, there are cases where a firm may introduce the product with various models to cater to different market segments.

The firm may spend additional funds on R & D to further improve the product, if need be, more so in the case of consumer

durables such as automobiles, in order to correct the defects, if any, noticed after launching the product.

**2. Price and Promotion Strategies :** In relation to price and promotion, a firm may follow one of the following four strategies:

- a) **Rapid Skimming:** The product can be launched at a high price and with high promotional expenditure.

*This strategy is suitable when:*

- The market is large in size, so high promotional expenditure.
- A large part of the market is unaware of the product, and therefore, high promotion, is required.
- The buyers are willing to pay a higher price.
- There is need to build brand image or preference as competition is likely in near future.

*This strategy brings certain benefits:*

- The firm may generate profit at the introduction stage, which will enable the firm to cover up either partly/wholly the development expenses.
- This strategy will enable the firm to build a good brand image which will enable to face competition effectively as and when the competitors enter the market.
- b) **Slow Skimming :** The product can be launched at a high price and with low promotional expenditure.

*This strategy is suitable when:*

- The market is limited in size, so low promotional expenditure.
- The potential buyers are aware of the product's features, uses, etc. and therefore, low promotion.
- The buyers are willing to pay a high price.

- Potential competition is less likely in the near future.

*This Strategy brings certain benefits:*

- The firm may generate profits at the introductory stage.
  - It requires less promotional expenditure and as such low marketing overheads.
- c) **Rapid Penetration :** The firm can launch the product at a low price and with high promotional expenditure.

*This strategy is suitable when:*

- The market is large in size.
- A large part of the market is unaware of the product, and therefore, high promotion.
- The buyers are price sensitive.
- There is possibility of strong competition in near future, so high promotional expenditure to build brand image or preference.
- The company is in a position to achieve economies of large scale production and distribution.

*This strategy brings certain benefits :*

- The firm can capture a large market share.
  - It may build good brand image which will enable to face competition effectively as and when the competitors enter the market.
- d) **Slow Penetration :** The product can be launched at a low price and with low promotional expenditure.

*This strategy is suitable when:*

- The market is large in size, so low pricing.
- The large part of the market is aware of the product's features, uses, etc., and so low promotion.

- The buyers are price sensitive.
- There is a possibility of limited competition in future may be due to high development expenditure for new entrants.
- The company is in a position to achieve economies of large scale production and distribution.

*This Strategy has the following benefits :*

- It will enable the firm to capture a large share of the market.
- It requires less promotional expenditure and as such low marketing overheads.

### 3. Distribution Strategies :

- a) **Concentrated Distribution Strategy :** The firm may follow concentrated distribution strategy, i.e., distribution of the product through specific dealers in a particular market area. Distribution efforts are directed to satisfy specific market segments.
- b) **Mass Distribution Strategy :** The firm may also follow mass distribution strategy, i.e., distribution of the product through all the possible dealers over a large market area, even at the national level. However, it makes sense to go for concentrated distribution strategy at the introduction stage.

## II. AT THE GROWTH STAGE

The growth stage is characterised by the entry of competitors, sales grow, profits increase, price and promotion may remain the same or may change depending upon demand, competition and other market forces.

During this stage, the firm may follow several strategies to sustain rapid growth as long as possible.

### 1. Product Strategies:

- a) **Product Improvement :** The firm may undertake product improvement so as to face the competition effectively.

Product improvement can be in terms of its features, packaging, design, shape, quality, etc.

- b) **Introduction of New Models :** The firm may introduce different models of the product, targeting to different market segments. Each model may have different brand name, or there may be brand extension with certain addition to the brand name, such as Model Number.

## 2. Price and Promotion Strategy:

- a) **Penetration Pricing :** The firm may reduce the price due to economies of large scale production and distribution. The low pricing strategy is followed so as to face the competition effectively. New entrants may find it difficult to compete with low prices.
- b) **Push and Pull Promotion Strategies :** The firm may adopt push and pull promotion strategy. A push promotion strategy requires trade promotion activities (incentives) so as to induce dealers to stock and push the product in the market.

A pull promotion strategy requires promotional efforts directed at consumers, such as various sales promotion schemes, and advertising so that the consumers demand the product from the dealers.

## 3. Distribution Strategies :

- a) **New Market Segments :** The firm may look for new market segments to increase the sales. For instance, if the product is directed mainly at young generation, the firm may also direct it to older generation, as in the case of Pepsi and Cadbury's Dairy Milk.
- b) **Increase in Distribution Coverage :** The firm may increase distribution coverage from local to regional and from

- c) **New Distribution Channels :** The firm may also introduce new distribution channels to increase the sales. The firm may go for setting up chain stores or enter into franchise agreements to increase the sales.

### **III. AT THE MATURITY STAGE**

A majority of the products are in the maturity stage. At this stage, the sales remain more or less the same. This stage normally lasts longer as compared to the previous two stages, and marketers have to come up with various strategies to stay in the market. The following are the marketing strategies at maturity stage :

1. **Product Modification :** The marketers may place lot of emphases on product improvement in respect of quality, features, design, etc. The product modification is intended to increase product's performance such as greater speed, longer durability, etc. and to generate enhanced customer satisfaction.

Therefore, the company has to place a lot of focus on R & D for the purpose of product improvement.

2. **Price and Promotion Strategies:** The firm may follow the same (price and promotion) strategies as followed during the growth stage, i.e.:

- a) Penetration Pricing Strategy
- b) Push and Pull Promotion Strategies

*The firm has to come up with innovative promotion schemes such as:*

- Exchange offers, exchanging old product with a new one, as in the case of TVs, washing machines, etc.
- Sale on installment facility at low or no interest charges.

### 3. Distribution Strategies :

- a) **Focus on Profitable Segments :** The marketer may concentrate on profitable market segments, and may exit from unprofitable segments. This will enable the firm to reduce its overheads and increase the profits. At the same time, the firm would be in a better position to serve the profitable segments better than before.
- b) **Focus on Important Channels of Distribution :** The firm may have to concentrate on important channels of distribution and discard expensive or unprofitable channels of distribution. This would enable the firm to maintain and enhance good relations with important channels of distribution.
- c) **Exit from Unprofitable Market Areas :** The firm may also exit from unprofitable market areas and concentrate on those market areas which generate good sales and profits.

## IV. AT THE DECLINE STAGE

The decline stage is characterised by decline in sales at a low level, and so also profits decline considerably. The firm may follow the following strategies at the decline stage :

### 1. Product Strategies :

- a) **Withdrawal of Weaker Brands :** The firm may withdraw weaker brands and concentrate on a selective brands which generate sales and profits.
- b) **Introduction of New Product :** The firm may also introduce a new product which has a good potential in the market, and market it profitably.
- c) **Wait & Watch Strategy :** At times, the firm may adopt a wait and watch policy. The firm may not withdraw the weaker brand, but wait for other firms who are facing the same problem of lower sales to withdraw and then getting a bigger share of the market.

2. **Price and Promotion Strategies :** The firm have to maintain the same price, as lowering the price may not be feasible. The promotional expenditure may be reduced depending upon the availability of funds and market situation.
3. **Distribution strategies :** The firm may follow the following distribution strategies:
  - a) Continued focus on profitable segments.
  - b) Emphasis on selective segments.
  - c) Distribution through selective channels.

## BRANDING – CONCEPT & COMPONENTS

A brand has several elements or components that enable it to sell at the market place. Some of the components are as follows:

1. **Brand Personality:** Almost all brands have brand personality. Marketers must make an attempt to personify the brand with personality traits. For instance, Taj Hotels are personified as a young hospitable female belonging to upper class; and fond of gastronomy (the art of cooking and serving good food), music and entertainment. Another example is that of Amul butter which is personified as sweet, intelligent, and energetic girl.
2. **Brand Functions:** Every brand performs certain functions. For instance, a tourist hotel performs the functions of rest, relaxation and enjoyment of good food and ambience. Therefore, a tourist hotel is rated on several parameters such as the quality of bed and bedding (sleep quality), cleanliness, service, location, value, and quality of rooms.
3. **Brand Benefits:** A brand needs to offer tangible and psychological benefits to the customers. For instance, a luxury car must provide tangible benefits such as good interiors, elegant seating arrangement, good engine, and at the same time psychological benefits such as good looks, status to the owners, and sheer joy of driving.

4. **Brand Associations:** The brand must link or connect to certain associations. For instance, Lux soap (the beauty soap of film stars) is associated with beautiful female film stars. Darjeeling Tea is associated with Darjeeling district of West Bengal. (When properly brewed, it yields a thin-bodied, light-colored infusion with a floral aroma.) A 5 star hotel like Taj Mahal is associated with high class hospitality meant for celebrity guests.

Tourist place like Goa is associated with clean and *beautiful beaches*, and Kerala tourism is associated with *backwater experience along with ayurvedic massage*, which are unique in nature.

5. **Brand Image:** Brand image is the perception of brand in the minds of customers or others. The brand perception differs from customer to customer. For instance, for urban youngsters, the motorbike - Harley Davidson is a *dream bike* (the top model of Harley Davidson '**Cosmic Starship**' is rated as No. 1 most expensive bike in 2013 with a price of US \$ 1 million (about ₹ 6 crore + import duties in India). For rural youth in India, the Harley Davidson bikes may mean nothing, as they may not have heard about it at all.



Another example is that of washing powders. People belonging to middle upper and upper class may not have a good image of budget brands like Ghari, Wheel, and Nirma, whereas, they may have a good image of higher priced brands such as Surf and Ariel. However, customers belonging to middle-middle

class and middle lower class may have a good image of budget brands.

It is worth noting just how powerful brand image can be. A study was conducted on students and they were asked - what image they held of British Airways. They instantly came up with all kinds of feelings and thoughts associated with British Airways (many positive, some not so). The students were then asked - how many of them had ever travelled on British Airways. Just 8% had done so. This demonstrates that consumers hold clear images of many brands based on very little direct experience.

6. **Brand Name:** It is the most important component of a brand. Companies need to select brand names with utmost care. Some firms pay huge sums of money to develop a new brand name. The brand name must be relevant to the product, easy to pronounce, describe its main benefits, and so on.

There are various approaches for branding. Some of them are as follows:

- Individual brand names such as that of HUL's Lux, Lifebuoy, Liril, and so on.
  - Corporate brand names such as Tata Tea, Tata Coffee, Tata Salt and so on.
  - Corporate-cum-Individual brand names such as Cadburys Dairy Milk.
  - Umbrella brand names such as Amul Butter, Amul Milk, Amul Cheese, and so on.
  - Founders' Names such as Nestle, Colgate, Ford, and so on.
7. **Brand Logo:** Brand logo along with brand name facilitates brand identity. Brand logo enhances brand equity. The brand logos are uniquely crafted in the case of certain products. Some of the creative logos are as follows:

- Nike's logo which is a swoosh (some consider it as the wing of the Greek Goddess of Victory after which Nike is named) stands for *move with a rushing sound*.



- Mercedes - three pointed star which signifies sign of luxury.



## Mercedes-Benz

- McDonalds - two golden arches which signifies warm hospitality, and so on.



8. **Brand Features and Design:** Brand features and design represent as an essential component of a brand. A brand may have unique features and design which can give it a competitive advantage in the market. For instance, brands like Lamborghini, Harley Davidson, Rolex Watches, and such other products that have unique features and design that makes them to stand apart from rest of the competition.

9. **Brand Packaging:** Brand packaging as a component of brand plays an important role in enhancing sales. Some of the brands such as French perfumes have unique packaging which instantly attracts attention of the customers.

Brand packaging serves several purposes:

- It promotes the brand having unique packaging designs.
- It protects the product from damage during transportation or handling.
- It preserves the quality of the product, as in the case of packaged food products.
- It may stimulate repeat purchases: for example, the sale of re-usable packs and refills increases the likelihood of repurchase.

10. **Brand Equity:** Brand equity can be considered as an important element of a brand. Brand equity is the incremental value of a brand which it commands in the market. Brand equity is the combination of several elements of a brand which are stated above:

- Quality or features of a brand
- Brand associations
- Brand image
- Brand name and logo, etc.

## **BRAND EQUITY - CONCEPT & FACTORS**

### **Meaning:**

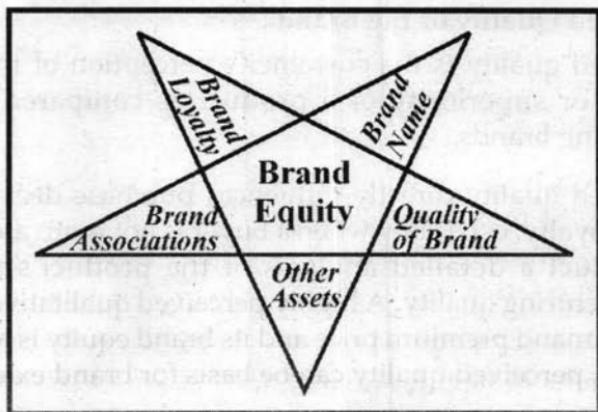
*Every brand has a value, and the value of a brand is brand equity.* Brand equity must not be confused with brand personality or image. **Edward Tauber** defines brand equity as "*The incremental value of a business above the value of its physical assets due to the market*

*position achieved by its brand and the extension potential of the brand."*

David Aaker defines "*a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.*"

## **Factors Influencing Brand Equity:**

The factors influencing brand equity are as follows:



### **1. Brand Loyalty :**

Customer's brand loyalty is the vital base of a brand's equity. It is true that it is expensive to gain new customers and relatively inexpensive to keep existing ones - provided the existing customers are satisfied with the brand. Satisfaction of customers results in brand loyalty. Satisfied customers continue to use the brand, even though competitors make enough efforts to win them over.

It is to be noted that when the customers are indifferent to the brand (with little or no concern to the brand name), and instead buy the product on the basis of price, features and other factors; there is hardly any brand equity. If, on the other hand, the customers continue to buy the brand despite attractive offers

from the competitors; substantial value exists in the brand and as such the brand commands high brand equity.

## **2. Brand Name Awareness :**

Brand awareness is the ability of a potential buyer to recognise or recall that a brand belongs to a certain product category. In other words, it is a process of linking product class and brand.

Buyers often buy a known brand. Familiarity of a brand makes it more reliable in the minds of the buyers. A known brand will thus be selected over an unknown brand and as such it commands good brand equity.

## **3. Perceived Quality of the Brand :**

Perceived quality is the customer's perception of the overall quality or superiority of a product as compared to other competing brands.

Perceived quality directly influences purchase decisions and brand loyalty, especially when a buyer is not motivated or able to conduct a detailed analysis of the product's actual or manufacturing quality. A highly perceived qualitative product can command premium price and its brand equity is enhanced. Further, perceived quality can be basis for brand extension.

## **4. Brand Associations :**

A brand association is anything "*linked*" to a brand. The underlying value of a brand name often is based upon associations linked to it. Like perceived quality, brand associations do influence purchase decisions and brand loyalty.

For instance, Darjeeling tea is associated with distinct floral aroma. Nike brand is associated with sports. Goa is associated with beautiful beaches.

## **5. After-sale-service:**

The after sale-service provided by the company can make a difference in brand equity. Nowadays, most of the durable products are more or less standardised. Therefore, the competitive difference can be the after-sale-service. To provide effective after-sale-service, firms need to:

- Select the competent and committed after-sale-service staff.
- Train the service staff to improve their knowledge, attitudes, skills and social behaviour.
- Motivate the service staff with monetary and non-monetary incentives.

#### 6. Brand Ambassadors:

Some marketing experts claim that brand ambassadors can enhance brand equity. For instance, the Lux soap is associated with female film stars and positioned as the beauty soap of film stars.

Some marketing experts do not agree that brand ambassadors enhance brand equity. Therefore, in several advertisements, one may not come across celebrities endorsing the brand; rather creative advertising does the trick such as that of *Zoo zoos of Vodafone*.

Business firms must be careful in selecting the personalities. The character of the personality must match with the character of the brand. Also, one cannot simply use film stars to promote budget brands such as 'Salman Khan in Wheel washing powder' because people are fully aware that celebrities do not use brands which are priced lower. Also, a cricket star cannot be used for promoting a luxury car.

#### 7. Brand Patent:

Companies can obtain brand patents for new and innovative products. They need to register under the Patent Act of respective countries where they want to patent it. For instance, in India products may be registered under Patents (Amendment) Act 2005.

Patenting the product gives exclusive marketing rights for certain number of years. Other companies cannot sell similar product in the market without the permission of patent holder. For instance, pharma companies get exclusive marketing rights for at least 15 to 20 years.

## 8. Brand Logo:

Brand logo can enhance brand equity. The brand logo like brand names facilitates instant identity of the brand. Some of the brands that have unique logo include Apple, Nike, McDonalds, Mercedes, Audi (4 rings), Reebok, Pepsi, and so on.

Companies pay huge sums of money to design the logos. For instance, Bharti Airtel paid huge sums of money to redesign the swoosh logo. The redesigned logo of Airtel is designed by a London based agency, **Brand Union**. It has the letter "a" in lowercase, forming a swoosh mark for the brand and *airtel* written in lowercase under it.



Bharti Airtel, world's fifth largest telecommunication company and India's largest mobile service provider, launched its new brand (logo) on *18th November, 2010*, marking the company's 200 million customer milestone. It is backed by a re-branding exercise costing about *₹350 crores*. The company has also launched a new tagline, "*Dil jo chahe, pass laye*" and signature tune by A.R. Rahman.

## Advantages of Brand Equity

Brand equity can provide value to customers as well to the firm.

*Brand equity provides value to customers by :*

- Helping them to interpret, process, and store huge quantities of information about products and brands.

- Enhancing their confidence in the purchase decision, due to either past-use experience or familiarity with the brand.
- Enhancing customer satisfaction with the use experience.

***Brand equity provides value to firm by enhancing:***

- Efficiency and effectiveness of its ***marketing programs*** - It can enhance programs to attract new customers and to hold on with existing ones.
- ***Brand loyalty*** - The perceived quality, well-known name of the brand, brand associations and other proprietary brand assets can make customers more brand loyal.
- ***Price and Profit Margins*** - Well known brands can command premium price and as such higher margins.
- ***Brand Extensions*** - It can help to introduce new products under existing brand names.
- ***Trade Leverage*** - A strong brand can gain support from dealers or stores.
- ***Competitive Advantage*** - A strong brand equity presents a real barrier to competitors.

## PACKAGING

### Concept of Packaging

The terms Packaging and Packing are used interchangeably. However there is a difference between the two terms. Packing refers to protective covering used for transportation of goods, whereas, Packaging refers to the containers in which products reach to the ultimate consumer. Packaging can also be referred as a process of developing and designing packages.

## Essentials of a Good Package

The following are the important requirements of a good package:

1. **Suitability:** A good package must be suitable to the product. For instance, medicines must preferably come in glass bottles and not in plastic bottles. Again, glassware should be packed with cushioning material.
2. **Attractive:** Packages must be attractive. They should attract the attention of the prospects or buyers and make them to buy the product. It should have the advertising value.
3. **Buyer's Specifications:** Packing should also conform to buyer's specifications. If buyer has ordered special type of packing, then such instructions must be followed in designing and producing packages.
4. **Convenience to Customers:** Packages should offer convenience in the case of carrying, handling and using the product. They must come in convenient sizes and shapes as per the requirements of the customers.
5. **Convenience to Dealers:** The dealers must not find difficulty in storing the products. The packages should not be unnecessarily bulky so as to avoid the wastage of space on the shelves or racks.
6. **Dependable:** Consumers often rely on the packages and buy the product. Whatever is indicated on the package must be available inside the package in terms of quality, and quantity.
7. **Ease in Identification:** Packages should be such that they are easily identifiable by the customers, dealers, and others. The printed matter and symbols, or marks on the packages must be such that the customers are familiar with.
8. **Ease in Displaying:** Packages must be convenient to display in the showcases or on the racks at the stores. They should be attractive, compact and conveniently displayable.

9. **Economy:** The cost of the package must be reasonable. If it is a fashionable or gift item, then packing may be a bit expensive. But in case of day-to-day use items, unnecessary expense must not be incurred in designing and producing the package.
10. **Conform to Standards:** The package must conform to standards laid down by the Bureau of Indian Standards and such other organisation, especially in the case of foreign trade.
11. **Re-Use Value :** The package may offer a re-use value to the consumers. Therefore, the package may be so designed to facilitate the re-use purpose. For instance, coffee bottles may be so designed that it can be used as a glass or mug.
12. **Handiness:** A package must be handy. A customer should find no difficulty in carrying it conveniently.
13. **Handling Instructions:** The handling instructions on the packages must be properly written. For example '*This side up*', '*Glass Handle with Care*', etc. In case of foreign trade, the instructions must be written in the foreign language.
14. **Supplementary Packing:** There is a need for supplementary packing in the case of certain products. For instance, fragile and breakable goods should have soft-packing inside the case or box.

## PRODUCT POSITIONING

### Concept

Brand positioning can be defined as *an effort aimed at creating and maintaining in the mind of target customers the intended image for the brand, relative to other brands* so that they will perceive the brand as possessing the attributes they want.

Philip Kotler defines positioning as "*the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.*"

## **Product Positioning Strategies**

The marketer can adopt different positioning strategies in order to develop or reinforce a particular image of the brand in the mind of the target audience. The various positioning strategies are:

### **1. Product Features:**

The most popular positioning strategy is to highlight *specific product features* that would benefit the customer. At times, a new product can be positioned with respect to product features that competitors have ignored. It would be advisable to highlight a specific but important feature rather than positioning along several features.

### **2. Price and Quality:**

In many product categories, the price-quality feature is so important that it needs to be considered in any positioning decision. The advertiser may position the product as quality product that is worth the money (*Good Quality Costs a Little More*).

Some firms may position the product as quality product but still at affordable price. For example: Big Bazaar positioned itself "*Isse Sasta Aur Aacha Kahin Nahin (Its Cheaper and Better than Anyone Else)*". This tag line was later replaced by '*Naye India Ka Bazaar*'.

### **3. Positioning by Product Class:**

Some marketers highlight the product-class association. The toilet soap Dove positioned itself apart from the soap category as a *cleansing cream* for women with dry skin.

### **4. Positioning by Product's Benefits :**

The advertiser can position the product on the basis of special benefit of the product. For example: "*Fast to Cook, Good to Eat*" (*the two minute positioning*) of Maggie Noodles.

### **5. Positioning by Use:**

The brand can be positioned by associating it with the use or application of the product. For instance, "*The sheer driving pleasure*" - BMW.

6. **Positioning by User Category:** The brand may be associated with a user or a class of users. The marketer makes use of famous personalities or models to influence the audience. For example the "*Beauty Soap of Film Stars*" - Lux Soap of HUL.
7. **Positioning by Competitor:** In some cases, a reference may be made directly or indirectly to one or more competitors. Perhaps the most famous positioning strategy of this type was that of Avis "*We're only number 2. We try harder.*"
8. **Positioning by Cultural Symbols/Names:** Some marketers may use cultural symbols to differentiate their brands from competitors. For example, Marlboro cigarettes used the American cowboy.
9. **Positioning by Corporate Image :** The most common base for positioning is corporate image. Some of the products or brands use their corporate names to position themselves. Product ranging from health care and cosmetics to consumer durables and computers use this type of positioning.  
Companies such as IBM, Philips, Sony, Nestle, Tata often use their corporate names to leverage their positions.
10. **Positioning by Emotions:** A firm may position its product by dramatizing emotions. For instance, Cadbury's Dairy Milk (CDM) "*Shubh Aarambh*" campaign (July 2010) is based on the concept of the *Indian tradition* of having something sweet before an auspicious occasion with the belief that it leads to a favorable outcome.  
Over the years, CDM has been a special part of every Indian's moments of happiness, joy and celebration. For the first time ever, in 2010, CDM urges consumers to also enjoy their much loved chocolate before embarking on an important task, in anticipation of a successful outcome.
11. **Positioning by Highlighting Social Issues:** Some firms may position the product as a socially relevant brand by highlighting social values. For example, the Tata Tea "*Jaago Re*" Campaign highlights several social issues which a responsible citizen must be aware of.

## SERVICE POSITIONING

Service positioning is a process of creating a distinct identity of a service in a competitive world. For instance, Dominos has created a distinct service identify with the theme 'Delivery in 30 Minutes'.

Service positioning can be done with the help of various parameters such as:

- ***Reliability*** - such as that of an airline – always on time.
- ***Safety*** - such as an airline good safety record.
- ***Performance*** - such as Fastest Delivery Service like FEDEX
- ***Status*** - such as a luxury hotel.
- ***Demographics*** - such as a club for youngsters.
- ***Special Feature*** - such as an airline that have direct flights to most destinations.
- ***Quality*** - such as media with the best original content
- ***Value*** - such as resort with the best service – value for money.
- ***Legacy*** - such as consistent quality service over a 100 years.
- ***Gratitude*** - such a restaurant that remembers the customer's name and the choice of food of the customer.
- ***Several other parameters*** - such as culture, benefits, lifestyle, etc.

### Importance of Service Positioning:

#### 1. Corporate Image:

Service positioning enables a firm to develop favourable corporate image in the minds of target audience. For instance, Maruti Suzuki has developed a positive image of a reliable company through its positioning "***Count on Us***". It is known for its efficient after-sale-service.

**2. Creates Demand:**

Proper positioning helps to increase demand for the service in the market. Effective positioning can induce the buyers to buy the service. For instance, the positioning of Dominos – Delivery in 30 minutes – has brought success to the brand as people buy the service as they are sure that they will receive the service on time.

**3. Competitive Advantage:**

Service positioning enables a firm to face competition in the market. A company can position its service favourably against competitors. Through effective positioning, a firm differentiates its service from that of the competitors. For instance, TCS has created a good image of reliable and authentic service in the world markets and therefore, it is number one in India for software industry and in the world TCS occupies the third position after IBM (USA) and Accenture (Ireland).

**4. Status:**

Proper service positioning creates status to the customers. For instance, the Taj Group of Hotels create status to the customers, and the customers are proud to associate with the Hotel Chain. The customers feel a matter of pride to hold parties and functions in the Taj Group of Hotels.

**5. Creates Brand Image:**

Proper positioning helps to improve brand image of the organisation. An organisation can improve its brand image by providing consistently good quality service. For instance, IIT Bombay has a good brand image in India as it has the highest ranking of an Indian University in the world.

As per latest rankings by QS World University Rankings (2018) has listed IIT Bombay as the top Institution in India with a rank of 162 followed by IISC at 170 and IIT Delhi at 172. QS World University Rankings 2018 place MIT (USA) at the top position followed by Stanford (USA) and Harvard (USA) at the third place.

## 6. Commands a Premium:

Service differentiation through effective positioning helps a firm to compete on non-price platform. A firm can charge a premium price in the market through its unique positioning (based on quality, reliability, performance, etc.). This is because; effective positioning helps to command goodwill in the market, which in turn enables the firm to charge premium price for its services.

## 7. Targeting Customers:

Firms can target its customers through effective positioning. For instance, a patent registering firm may position for clients who only need to secure a patent. Such a firm may position through advertising or publicity that it *specialises in patent securing* and firms intending to secure patents may approach such a patent registering company. Another firm may position itself providing a broad range of services in the field of corporate law to attract customers.

## 8. Customer Loyalty:

Service Positioning may also lead to customer loyalty. Customers may go for repeat purchases and may also recommend the service to others. When a company positions itself on good quality of services, and adheres to the same in practice will definitely lead to customer loyalty.

## CHALLENGES IN SERVICE POSITIONING

Services sector faces challenges due to unique characteristics of services, such as intangibility, inconsistency, inventoryless, inseparability, etc.

- On account of intangibility, demonstration of services is difficult. Also, pre-purchase evaluation is difficult.
- The inseparability characteristic restricts geographical reach and it also requires physical presence of the customer and the service provider.

- The challenge of inconsistency is due to the fact that the service performance may vary from one person to another from the same organization and times even from the same individual.
- Services are also subject to inventoryless or perishability. This is because, services cannot be kept in inventory, and therefore, mass provision of services is not possible.

On account of the above characteristics of services, it may be difficult for positioning the services:

1. Services cannot be positioned on the basis of physical features.
2. It is difficult to position the services on the basis of regularity as in the case of airlines, because regularity of airlines depends on several external factors.
3. It is difficult to position the services on the basis of the use of the service. However, in the case of product, a company can easily highlight the positioning based on the use of the product.
4. It is difficult to position a service on the basis of status as the services lack physical features.
5. It is difficult to position the services on the basis of quality, as the services are intangible.
6. It is also difficult to convey directly the positioning strategy. For instance, safety of an airline cannot be positioned on the basis of low or no accidents. However, airlines may use the expertise of pilots or the newness of the aircraft to position the safety aspect.

## PRICING - OBJECTIVES

Price is an important element of marketing-mix. Price is the exchange value. Developing a right pricing strategy is critical to an organisation's success. Price is a significant variable, as in many cases; it is the main factor affecting consumer choice. Its significance is further emphasized as it is the only element of marketing mix that generates revenues and the others produce costs.

## OBJECTIVES

The first step in developing a pricing strategy is to develop pricing objectives – what the pricing decisions must accomplish. Pricing objectives must support the broader objectives of the marketing department (such as increasing market share) and that of the organisation's overall objectives (such as enhancing shareholders' wealth or enhancing corporate image).

The following are the main objectives of pricing:

- 1. Survival:** It is the most important objective of pricing; especially when companies are faced with the problem of over-capacity, intense competition, or changing consumer wants. Most firms adopt survival objective during recession, when customers on an average have less money to spend.

Prices are reduced (at times even below cost) in order to maintain sufficient flow of cash for working capital. Profits are less important than survival. As long as prices cover variable costs and some fixed costs, the company survives in the market. However, survival is a short-term objective, as price-cutting is not always the answer. Marketers need to be careful with the pricing strategy that brings short-term benefits at the expense of long-term goals.

Reducing prices in order to increase sales can cause customers to be price sensitive. This may lead to "*Christmas Sale Syndrome*", i.e., in European and American markets, shoppers wait for prices to drop at the time of Christmas season to buy goods.

- 2. Profit Objectives:** One of the main objectives of pricing is to earn profit. The profit objective of pricing can be expressed in two ways:

(a) ***Return on Investment:*** A good number of firms fix their prices to stimulate consumer interest in their brand over other competing brands. Attractive prices result in higher sales, which in turn helps to achieve a certain level of return on investment or return on capital employed. This in turn helps a firm to achieve its one of the overall objectives – enhancing shareholders' wealth.

- (b) **Profit Maximization:** A profit maximization objective seeks to get as much profit as possible. Profit maximization does not necessarily involve fixing high prices. Low prices may bring in higher sales and profits.
3. **Sales Objectives:** Firms also fix prices in order to attain sales objectives. The sales objectives can be expressed in two ways:
- (a) **Market Share Growth:** A firm may fix the price of its products, at a certain level, so as to defend its current market share, and, if possible to increase the market share. For this purpose, a firm may adopt penetration pricing strategy for new product launch, and competitive pricing for its existing prices.
  - (b) **Sales Growth:** Some marketing managers would like to achieve sales revenue growth in terms of unit sales growth or in money terms. Increase in sales is an important indicator of a firm's success. However, increase in sales targets does not necessarily result in other objectives, such as profits. This is because, sales may increase, but profits may actually decrease, or a firm may even suffer losses despite growing sales. Therefore, pricing objectives should not just focus on growth in sales, but also on profits.
4. **Competitive-Effect Objectives:** At times, a firm may deliberately seek to reduce the effectiveness of one or more competitors. It may fix its prices in such a way that it would enable it to win over competitors' customers. For instance, a departmental store can offer a heavy discount in early December on garments, footwear, etc., directed at Christmas shoppers so as to win over customers from other departmental stores/retail shops.
5. **Image Differentiation:** Some firms may create image differentiation through pricing. They may charge a premium price for their products to create a distinct image vis-à-vis the competitors, in the minds of their target audience. Firms like Mercedes Benz, Rolex Watches, and others have adopted this strategy.

Some other firms may charge a moderate price for high quality products. For instance, a firm may position its product on the moderate price vis-à-vis high quality, such as Newport Jeans – “*Good Jeans for Less.*”

**6. Market Skimming Objective:** The firms that launch a new product in a market may adopt the market skimming strategy. In this case, the product is launched at a high price, and then *gradually it is reduced over a period of time*. Skimming, apart from other benefits, helps a firm to recover high development costs associated with new products. For market skimming to be successful, there must be certain conditions, such as:

- *The firm must have a degree of security in the form of patents.*
- *The product must have unique selling proposition.*

**7. Early Cash Recovery:** Firms that face liquidity problems or those that believe that life of the product or market is likely to be short may adopt a pricing strategy designed with the objective to generate a high cash flow and lead to an early recovery of cash. Such firms may provide a series of special offers and discounts, and adopt a strict credit policy, so as to increase immediate sales and achieve prompt payment.

**8. Market Entry Barrier Objective:** Firms may adopt low price strategy with the objective of preventing others from entering the market. The potential entrants would recognize the low returns available and the dangers of getting involved in a price war. In this way, existing firms may be able to minimise the amount of competition in the market.

**9. Customer Satisfaction Objectives:** A good number of quality-focused firms believe that profits result from customer satisfaction, as the primary objective. They believe that by focusing solely on short-term profits, a company loses sight of winning customers and retaining them. These firms instead develop pricing objectives based on pleasing customers over the long term.

Firms may adopt a *high value strategy*, where product quality is high and the price is moderate (neither high, nor low) instead

of adopting ***premium strategy*** where high quality product is sold at high price. However, it is to be noted that some customers, especially, belonging to the upper-upper class would be satisfied with premium strategy, as they enjoy prestige status with highly priced items.

10. **Social Responsibility Objectives:** Social responsibility objectives often play a major role in pricing decisions of the government and of non-profit organisations. Even professionals like doctors may adopt social responsibility as their pricing objective.

For instance, some doctors may charge consulting fee on the basis of ability to pay. Poorer sections may be charged less, whereas, the richer sections may be charged more. Also, professional business firms may pass on the economies of large-scale production and distribution, at least partly, to the consumers, with the objective of fulfilling social responsibility towards the consumers.

*Note : Students may write 8 points one paragraph each for 7½ marks.*

## FACTORS INFLUENCING PRICING

Price is an important element of marketing mix. It is the exchange value of the product. Pricing of the product depends on several factors. The factors influencing pricing can be broadly divided into two groups:

### FACTORS AFFECTING PRICING

#### **INTERNAL FACTORS**

- ***Costs***
- ***Corporate Image***
- ***Objectives of Firm***
- ***Product***
- ***Product Life Cycle***
- ***Product Line***

#### **EXTERNAL FACTORS**

- ***Competition***
- ***Consumers***
- ***Channels***
- ***Demand***
- ***Economic Conditions***
- ***Financial Incentives***

## I. Internal Factors

### 1. Costs:

A firm while fixing prices should consider the costs for producing the product. In case of several products, costs constitute a large part of the price. The firm must plan to recover both the variable costs and the fixed costs. However, if a firm is selling bulk of its supplies in the home market, and a part of production in the overseas market, then all the fixed costs may be recovered from the home market, and only variable costs may be charged for the overseas markets.

### 2. Corporate Image:

The firms enjoying a good image in the market may charge a higher price, as compared to those firms which do not enjoy reputation in the market. This is because; consumers have trust and confidence in the firms enjoying name and reputation in the market. For instance, firms like P&G, and HUL, can command a higher price for their brands, as they enjoy goodwill in the market.

### 3. Objectives of the Firm:

The marketer must consider the objectives of the firm, while fixing prices. Price of products is directly related to objectives of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price.

### 4. Product:

If a product is of superior quality, then a firm may either adopt *premium strategy* or *high value strategy*.

- In *premium pricing*, the firm charges high price for high quality.
- In *high value pricing*, the firm charges moderate/low price for high quality.

Apart from product's quality, the marketer needs to consider the product's features, the nature of the product (perishable/durable), and the frequency of product's purchase..

### 5. Product Life Cycle:

The stage of a products life cycle affects pricing. For instance, when a firm introduces a product in a competitive market, then it may charge a lower price to attract the customers. During the growth stage, a firm may increase the price, especially in a low competition market.

The marketer may also consider the probable length of the product's life cycle. If the probable length of the product's life is expected to be long, then lower price may be charged, as compared to the products with shorter life span.

### 6. Other Internal Factors:

There are several other internal factors that influence pricing:

- *Brand Image* – Distinct brand image commands higher price, such as Rolex, Mercedes.
- *Promotional Expenses* – Generally, higher the promotion, higher may be the prices.
- *Credit Policy* – Longer the credit period, higher may be the prices.
- *Size of the Order* – Generally, larger the order, lower is the price per unit.

## II. External Factors

### 7. Competition:

The marketer has to consider the degree of competition in the market. When there is high competition, prices may be lower, and vice-versa. The price of competing brands, as well as those of substitutes must be considered while fixing prices. Normally, the price must be within the range of that of the competitors.

**8. Consumers:**

The marketer should consider various consumer factors while fixing prices. The consumer factors that must be considered include the price sensitiveness of buyers, purchasing power, buying pattern, and so on.

For instance, in developing countries like India, customers (even belonging to the upper class) are price sensitive, and they may not buy highly priced brands.

**9. Demand:**

Price of goods to a great extent depends upon demand. For instance, an increase in demand may lead to an increase in price, even though there may be no rise in costs. Demand may increase due to economic conditions in the market, problems with the supplies of competitors, and so on. It is to be noted, that increase in demand need not result in increase in prices, as nowadays, socially responsible marketers pass on a part of the benefits of large-scale production and distribution to the consumers.

**10. Economic Conditions:**

The economic conditions prevailing in the market must be considered while fixing prices. During the times of recession, when consumers have less money to spend, the marketers may reduce the prices to influence buying decision of the consumers. However, during economic boom, the marketers may charge a higher price.

**11. Financial Incentives:**

The Government may provide incentives to the firms, and therefore, the firms may charge lower prices. For instance, the exporters get incentives from the Government, so that they quote lower prices in overseas markets.

The incentives available to exporters include: Duty Drawback, Octroi Exemption, VAT Exemption, Excise Exemption, etc.

**12. Other External Factors:**

- **Government Control** – For instance the Govt. regulated prices for certain medicines and other products are lower.

- **Channels of Distribution** - The longer the chain of distribution, higher would be prices and vice-versa.
- **Taxes and Levies** - Generally, higher the taxes and levies, higher would be the prices and vice-versa.

(Note: Students may write 8 to 10 points for 8 marks question.)

## PRICING STRATEGIES

Pricing strategy refers to a plan to achieve pricing objectives – market share, sales, profits, etc. Pricing strategy is formulated when a new product is launched in the market.

Pricing strategy differs from pricing method. A pricing method helps to calculate and fix the prices on the bases of costs, competition, demand, etc. Pricing method becomes a part of the strategy.

Some of the pricing strategies are as follows:

### 1. Skimming Pricing Strategy:

**Meaning:** A high premium price is charged when a product (that offers unique customer benefits) is launched in the market.

**Objective:** This strategy aims at high profit margins in the early stages of product introduction.

**Types:** The skimming pricing strategy can be of two types:

- (a) **Rapid Skimming Pricing** - where high prices are charged and the product is promoted with heavy promotional expenditure.
- (b) **Slow Skimming Pricing** - where high prices are charged and there is limited promotional effort to promote the product.

### 2. Penetration Pricing Strategy:

The pricing strategy of low price in the early stages of product introduction is called as "penetration pricing strategy".

**Objective:** The main objective is to capture a large share of the market in the early stages of product introduction in the market.

**Types:** This strategy can be of two types:

- (a) **Rapid Penetration Pricing Strategy** - where low prices are charged and the product is promoted with heavy promotional expenditure.
- (b) **Slow Penetration Pricing Strategy** - where low price is charged and there is limited promotional expenditure to promote the product.

### 3. Standard Pricing Strategy :

In this case, the marketer may charge the same price for all the markets - in urban markets as well as in rural markets. However, this strategy is mostly not followed as prices depend upon a number of factors. Again, prices need to be fixed on the lower side for rural markets as compared to that of markets in urban areas.

### 4. Probe Pricing Strategy:

The marketer may fix a higher price in the market during the early stages of product introduction. This is done to find out or probe the reaction of the buyers towards the price. The prices are then adjusted accordingly.

The marketer may follow this technique, especially, when sufficient information is not available in respect of competitors' pricing, purchasing power of the buyers and so on.

### 5. Differential Trade Margins Pricing Strategy:

The marketer may adopt differential trade margins pricing strategy. He may allow various types of discounts or trade margins. The various discounts that can be offered includes, quantity discounts on bulk orders, seasonal discounts during off-season to push up sales, cash discounts to encourage prompt payments, goodwill discounts, trade discounts, etc. The prices are accordingly adjusted depending upon the type of discount offered.

## 6. Transfer Pricing Strategy :

Transfer pricing refers to the pricing of goods or services among subsidiaries within a multinational corporation. This strategy is adopted by subsidiaries of an MNC when they trade with other subsidiaries or with the parent company. *The main objective of transfer pricing is to reduce the impact of custom duties.*

Generally, the selling firm charges lower price to the buying firm within the MNC group. In such a situation, the selling firm may suffer a loss, while the buying one will make a profit. However, the overall profits of the parent firm in the consolidated balance sheet would not be affected.

## 7. Differential Pricing For Different Markets Strategy :

In this case, different prices are charged to different markets depending upon a number of factors. The marketer may adopt differential pricing strategy for home markets and for overseas markets. Again, there can be differential pricing between two or more overseas markets.

The differential pricing is justified due to :

- (a) *Differences in expenses* such as documentation, freight, insurance, packing, etc.
- (b) *Differences in costs to be charged* - total costs for domestic markets and only variable costs for export markets, especially when major sales are in the home market,
- (c) *Differences in the level of competition* - where there is no or less competition, prices can be high and vice-versa,
- (d) *Differences in demand in international markets* - where there is a need to modify product and incur additional costs, then prices can be high for such markets and low where little or no product modification is required,
- (e) *Attitude of buyers* - if the buyers attitude towards exporting country's goods is negative, then the exporter may fix low prices to gain entry in such markets, whereas, in other markets, he may charge higher prices.

## **8. Trial Pricing:**

A firm may charge a lower price to induce customers to buy the product, especially at the introductory stage. When the demand increases, marketer may charge a higher price. The purpose is to win customer acceptance first and make profits later.

## **9. Follow the Leader Pricing Strategy :**

The marketer may fix his prices depending upon the prices of the leading competitor. The prices may be very close to that of the prices charged by the leader.

However, this strategy may not be advisable as the situation of the marketer may differ from that of the leader in terms of product quality, features, costs, etc.

## **10. Flexible-Price Strategy:**

A firm offers the same product to different customers at different prices. For instance, when a new product is introduced, a firm may sell it at a special price to its loyal customers. Also, a retailer may offer special price to frequent-shopper as compared to other customers, who do not buy frequently from that store. The special price is a reward for customers' loyalty.

## **11. Predatory Pricing:**

Some large firms may adopt predatory pricing to kill competition. The firm may charge low price and/or it may provide certain services free of cost. The purpose is to gain monopolistic position in the market. Predatory pricing is different from penetration pricing because under penetration pricing low price is charged to gain large market share. But under predatory pricing the company charges low prices to kill competition.

## **REVIEW QUESTIONS**

1. What is marketing-mix? Discuss its elements.
2. Explain the various product decision areas.
3. Discuss the stages of product life cycle.

4. Explain the management of different stages of product life cycle.
5. Describe the factors influencing brand equity.
6. Explain the components of branding.
7. What is Packaging? Explain the essentials of a good package.
8. What is product positioning? Explain the strategies of product positioning.
9. What is the importance of service positioning?
10. Discuss the challenges involved in service positioning.
11. What are the objectives of pricing?
12. Explain the factors influencing pricing.
13. Discuss pricing strategies that can be considered by marketers.

## OBJECTIVE QUESTIONS

**A. Fill in the blanks with the correct option given in the bracket:**

- (a) The basis of marketing operations is the coordination of four key variables, namely: product, price, place and \_\_\_\_\_.  
(promotion, positioning, publicity)
- (b) \_\_\_\_\_ refers to set of products which are offered for sale by a firm.  
(Product mix, Product design, Product selling)
- (c) \_\_\_\_\_ refers to a group of related products that share common characteristics, and channels of distribution.  
(Product line, Product mix, Product Range)
- (d) At introductory stage of product life cycle, advertising is undertaken to \_\_\_\_\_.  
(create awareness, sell the product to masses, remind the customers).
- (e) \_\_\_\_\_ is a process of extending an existing brand name to other brands.  
(Brand extension, Brand equity, Brand image)
- (f) \_\_\_\_\_ is the incremental value of a business above the value of its physical assets due to the market position achieved by its brand.  
(Brand equity, Brand image, Brand extension)
- (g) \_\_\_\_\_ gives a distinctive identity to the brand.  
(Brand Positioning, Brand Loyalty, Brand Equity)
- (h) In \_\_\_\_\_ pricing strategy, large firms charge low prices to kill competition in the market.  
(predatory, penetration, trial)
- (i) At the decline stage of product life cycle, a business firm may resort to \_\_\_\_\_.  
(price cuts, aggressive advertising, creating awareness)

- (j) \_\_\_\_\_ is the perception of the brand in the minds of customers.  
(Brand Image, Brand Equity, Brand Loyalty)
- (k) \_\_\_\_\_ refers to the speed at which marketing decisions and actions are taken.  
(Pace, Process, Productivity)
- (l) At the introductory stage of PLC, a business firm resorts to creating \_\_\_\_\_.  
(brand awareness, brand value, brand history)
- (m) \_\_\_\_\_ refers to protective covering of the product used in safely handling goods.  
(Packing, Positioning, Branding)

*Hint: The first option is the correct answer.*

**B. State whether the following statements are true or false:**

- (a) Marketing mix is not influenced by environmental factors.
- (b) Marketing mix is a static concept.
- (c) The variables in marketing mix are independent of each other.
- (d) Generally, at growth stage, advertising is undertaken to create awareness.
- (e) A company adopts the same marketing mix for all products.
- (f) Product modification strategy involves no changes in the product mix.
- (g) Brand extension refers to extension of product line by introducing new products with different brand names.
- (h) Brand loyalty involves only repeat purchases by satisfied customers.
- (i) In penetration pricing, the marketer charges high price to gain high market share.
- (j) In skimming pricing, the main objective is to gain large market share.
- (k) Product mix refers to group of only related products offered by a company in the market.
- (l) Product positioning is a part of Service positioning.
- (m) Cost is the external factor of the company that affects pricing decisions.
- (n) The marketer need not consider Product Life Cycle stage while deciding a price for the product.

*Hint: All statements are false.*

## C. Match the Columns :

I.	Group A	Group B
1.	Development Stage of PLC	(a) Withdrawal of Product
2.	Introduction Stage of PLC	(b) Stagnant Sales
3.	Growth Stage of PLC	(c) Rise in Profits
4.	Maturity Stage of PLC	(d) Product Awareness
5.	Decline Stage of PLC	(e) Research & Development
		(f) Survival of the Product
		(g) Merger of Firms

Ans: (1) - (e), (2) - (d), (3) - (c), (4) - (b), (5) - (a)

II.	Group A	Group B
1.	Skimming Pricing	(a) Inducing Trial of the Product
2.	Penetration Pricing	(b) Same Price in all Markets
3.	Probe Pricing	(c) Sensing the Demand
4.	Standard Pricing	(d) Market Share
5.	Trial Pricing	(e) High Profits
		(f) Pricing by Subsidiaries of MNC
		(g) Different Prices

Ans: (1) - (e), (2) - (d), (3) - (c), (4) - (b), (5) - (a)

# 3

# MARKETING DECISIONS - II

*"Poor firms ignore their competitors; average firms copy their competitors; winning firms lead their competitors." – Philip Kotler*



- *Physical Distribution*
  - ✓ *Concept & Factors Influencing*
    - *Distribution Channels*
- *Supply Chain Management*
  - *Concept & Components*
- *Promotion*
  - ✓ *Concept & Importance*
    - *Elements of Promotion Mix*
- ✓ *Integrated Marketing Communication (IMC)*
  - *Concept & Scope*
  - *Importance*
- *Sales Management*
  - ✓ *Concept & Components*
    - *Emerging Trends in Selling*

- **Personal Selling**
    - **Concept & Process**
    - **Skills For Effective Selling**
- 

## PHYSICAL DISTRIBUTION

### CONCEPT

*Physical distribution is a process of effectively delivering the product to the customers in proper condition and on time.*

The role of physical distribution can be explained with reference to the role of channels of distribution:

- **Creates Utilities:** Channels of distribution bring producers and buyers together by creating place, time and possession utilities.
- **Improves Distribution Efficiency:** Channels improve distribution efficiency due to their specialisation, and the producer can concentrate on production activity.
- **Provides Assortment of Goods:** The distribution channels combine the products manufactured by several producers and offer them in the form of assortment (range of items) as required by consumers.
- **Salesmanship:** The middlemen help to introduce new products in the market by recommending them to the customers.
- **Merchandising:** Merchandising involves preparing and placing attractive displays of a new product. The channel intermediaries can assist in merchandising.
- **Balancing Demand and Supply:** The intermediaries help to match the demand and supply in the market. They inform the producers about high or low demand, and accordingly producers produce and supply the goods.

- **Financing:** The channel intermediaries provide finance to the producers by giving advance payment against the orders.
- **Information:** The intermediaries can collect valuable information about customers, and competitors and pass it on to the producers.

## FACTORS INFLUENCING PHYSICAL DISTRIBUTION

Choice of a particular channel or a combination of channels is a vital decision. A better approach to select an appropriate channel is to start with the final buyer and develop the channel(s) that is/are most effective. Following are main factors that influence channel selection:

1. **Customer Characteristics:** The firm may consider customer characteristics in the choice of channel(s):
  - (a) If the customers are large in number and are *geographically dispersed*, the firm may select indirect channels as it may not be feasible to reach to larger number of customers over a larger market area. For instance, a national marketer selling FMCG goods may adopt indirect channels.
  - (b) If the customers are few in number and are *geographically concentrated*, the firm can select direct channel as it may be possible for the firm to serve directly. For instance, industrial buyers are few in numbers and mostly geographically concentrated (in certain industries), the firm may adopt direct channel.
2. **Product Characteristics:** Product characteristics include product class, perishability, durability, size, shape, designs, complexity, standardization, etc.
  - (a) In case of *highly priced luxury* items such as Rolls Royce cars, the company may go exclusive distribution through one or two showrooms especially in major metros.

- (b) In case of **FMGC products**, the company may adopt indirect channels as buyers are large in number and buy in smaller quantities.
- (c) **Perishable products** require shorter channels to avoid re-handling and spoilage.
3. **Company Profile:** A company's corporate image, resources, and capabilities also affect channel selection.
- If a firm has **limited sales force**, it may adopt indirect channels and vice-versa.
  - When a firm has **distinct image** in the market, it may distribute its product through selective stores.
  - When a firm has **strong distribution network** in terms of its own showrooms, fleet of distribution vehicles, etc., it may adopt direct channel.
4. **Competitors' Strategy:** Generally, a firm may consider the distribution strategy of its competitors in the choice of channel selection. Normally, a marketer may use the same channel that is used by the competitors.
- Almost all marketers of **FMCG goods** use indirect channels to market the product.
  - In case of certain **industrial goods** such as heavy machinery and equipment, most of the firms resort to direct channel.
5. **Area Coverage:** The area coverage and the location of the market also determine the channel selection. If the marketer sells throughout the country, he may select indirect channels. But if the market is concentrated in a particular area or locality, the marketer can resort to direct selling.
6. **Middlemen Characteristics:** The characteristics of middlemen, such as their resource strengths and capabilities, must be considered.
- A firm may distribute the products through sole selling agents, especially when the agents have their own

distribution facilities such as warehouses, showrooms, delivery vehicles, etc., the company may go for indirect channels.

- (b) Sometimes, retailers may be reluctant to stock goods with higher price; the company may resort to direct selling.
7. **Economic Conditions:** Economic conditions influence channel selection. During recession, middlemen may be unwilling to stock new products unless they are provided with extra incentives such as '*push commission*'. Therefore, during recession, a firm may adopt direct channel to distribute the products to customers. For instance, to sell readymade garments, a company may book halls to sell its products by offering good discount to the customers.
8. **Technological Factors:** The technological factors also influence channel selection. For instance, technological developments in telecommunications have made it possible for home shopping via telemarketing. Also, internet has made it possible for customers to place direct orders on-line, thereby, eliminating the need for intermediaries.
9. **Size of the Orders:** The size of the order may influence the choice of channel selection. Normally, when a company receives large size orders and that too from few customers, it may prefer direct channel to serve the customers. However, when a firm gets small size orders from a large number of customers, it may adopt indirect channels.
10. **Channel Objectives:** The channel objectives have a direct influence on the choice of distribution channel. For instance, a firm may want to maintain close contact with its ultimate customers, it may adopt direct channel. Also, if the firm wants to deliver the goods quickly to the customers, it may adopt direct channel. However, if the channel objective is wider market coverage, it may adopt indirect channels.

## DISTRIBUTION CHANNELS

### TRADITIONAL DISTRIBUTION CHANNELS

**William Stanton** defines "*A channel of distribution is the route taken by the title to the product as it moves from the producer to the ultimate consumer or industrial user.*"

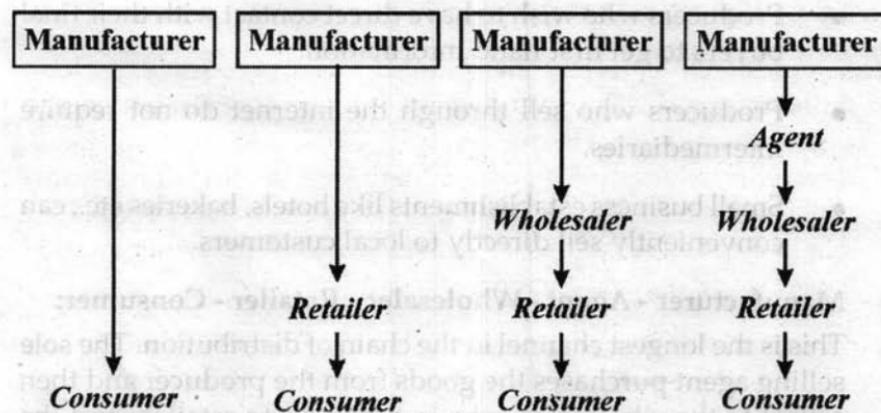
**William Schoell** defines "*A marketing channel is the series of marketing institutions that facilitates transfer of title to a product as it moves from producer to ultimate consumer or industrial user.*"

There are various channel options available to the manufacturers. The channels can be broadly divided into two groups:

- Direct Marketing Channel – where the manufacturer directly sells to the final consumer without the help of intermediaries.
- Indirect Marketing Channels – where the manufacturer sells to the final consumer with the help of intermediaries.

### TYPES OF DISTRIBUTION CHANNELS

The various channels are explained as follows:



*Basic Channels of Distribution for Consumer Goods*

**1. Direct Channel of Distribution (Manufacturer - Consumer):**

*The direct channel of distribution is also known as zero-level marketing channel.* In the direct channel there are no intermediaries between the producer and the final buyer. The producer sells directly to final buyers through his own network of stores or at a centrally located place or by appointing door-to-door salesforce.

Direct channels are more common in industrial than in consumer products. This is because the industrial users buy in bulk, they are concentrated geographically, require good after-sale-service, etc.

**Reasons for direct selling:**

- The producers can have greater control over the distribution of their products.
- Non-availability of middlemen or reluctance from middlemen to stock the goods.
- Producers of heavy/bulky goods transport directly to the final buyer, to reduce handling and transport costs.
- Producers that cater to a few customers may sell directly.
- Complex or high-tech products which require good after-sales-service may directly sell to the final buyers.
- Producers who wish to have direct contact with their final buyers to get first hand information.
- Producers who sell through the internet do not require intermediaries.
- Small business establishments like hotels, bakeries etc., can conveniently sell directly to local customers.

**2. Manufacturer - Agent - Wholesaler - Retailer - Consumer:**

This is the longest channel in the chain of distribution. The sole selling agent purchases the goods from the producer and then sells it to the wholesaler, who in turn sells to retailers and the retailers in turn sell it to consumers.

The manufacturers appoint sole selling agents in different regions or territories in order to transfer the selling responsibility to various wholesalers in that region or area.

Manufacturers of mass consumption goods and operating in the national market find it difficult to manage a large number of wholesalers, so they appoint sole selling agents. Thus, the manufacturer is relieved from the burden of monitoring and managing the activities of several wholesalers.

### **3. Manufacturer - Agent - Retailer - Consumer:**

This channel involves two intermediaries i.e. the agent and the retailer. The producer sells to sole selling agent, who in turn sells to retailers and the retailers sell to final buyers.

The producers may prefer this channel as compared to the channel mentioned at No.2, mainly to do away with the wholesalers. In fact, the sole selling agent takes the position of the wholesaler in this channel. This channel is more suitable in the case of consumer durable goods such as refrigerators, television sets etc., where the retailers can conveniently order from the sole selling agents.

### **4. Manufacturer- Wholesaler - Retailer - Consumer:**

In this channel, the manufacturers sell to a number of wholesalers who in turn sell it to a large number of retailers and the retailer in turn sell to final buyers.

This type of channel is more common in the case of consumer goods like soaps, cosmetics, textiles, etc. There are number of advantages offered by this channel:

- The manufacturer need not deal and manage the large number of retailers.
- The wholesaler may also assist in publicity programmes of the manufacturing. They may also design dealer displays.
- They provide warehousing and transport facilities.

## **5. Manufacturer - Wholesaler - Consumer:**

This channel is used very rarely in the distribution process. It may be used in combination with the channel mentioned at No.4. In certain instances, where the final consumer's requirements are of large quantity, they can directly approach the wholesalers rather the retailers. This is true in the case of building materials like cement, tiles, etc.

## **6. Manufacturer - Retailer - Consumer:**

In this case, retailers directly buy from the manufacturers rather than buying it from the wholesalers. In such instances, the retailers want to gain from bulk purchases directly from the producers.

Large retail stores like cooperative stores, departmental stores, multiple chain stores, directly buy from manufacturers or producers. This channel can be used in the case of consumer goods like cloth, agricultural goods, and even consumer durables.

## **7. Manufacturers - Canalising Agency - Buyers:**

In case of exports, certain items are canalized such as gum karaya, mineral ores, niger seeds, and petroleum products. They cannot be exported directly. The manufacturers must route the canalized items only through the canalising agency appointed by the Govt.

The canalising agencies include: in the case of gum karaya and niger seeds, Govt. of India has appointed TRIFED to look after exports. Mineral ores are canalized through MMTC and in case of Petroleum products - Indian Oil Corporation is the canalising agency.

## **8. Producers - Cooperatives - Dealers - Consumers:**

In case of certain products like agriculture and dairy products, the producers may supply their produce to the cooperatives. The cooperatives then look after marketing and distribution activities. The cooperatives may directly sell to the final consumers or they may distribute the commodities with the help of dealers - wholesalers and retailers.

## CONTEMPORARY DISTRIBUTION CHANNELS

Over the years, there have been changes in the way firms distribute the products to the customers. The changes have enabled the firms to manage the channel intermediaries and also to move the products at a greater pace to the customers.

Some of the recent trends in distribution are as follows:

### 1. Horizontal Marketing System (HMS):

A horizontal marketing system is a distribution channel arrangement whereby two or more firms at the same level join together for marketing purposes to capitalize on a new opportunity.

The firms combine their resources such as production capabilities and distribution in order to maximize their earnings potential. The firms can work together on a temporary or permanent basis or create a joint venture.

Examples:

- A bank and a supermarket agree to have the bank's ATMs located at the supermarket's locations.
- Two manufacturers combining to achieve economies of scale, otherwise not possible with each acting alone, in meeting the needs and demands of a very large retailer.
- Two wholesalers joining together to serve a particular region at a certain time of year.

### 2. Third Party Delivery Channel:

A third-party logistics (3PL) provider is a firm that provides service to its clients of outsourced logistics services for part, or all of their supply chain management functions.

Third party logistics providers typically specialize in integrated operations – warehousing, inventory management, logistical packaging and transportation services that can be customized to needs of the clients.

The services are customised to the clients based on market conditions and the demands and delivery service requirements for their products and materials. There are also 3PL providers who may specialize in only one or two areas of logistics - warehousing, or transportation or inventory management or material handling.

3PL services go beyond logistics and include value-added services related to the production or procurement of goods, i.e., services that integrate parts of the supply chain. In such a case, the provider is called third-party supply chain management provider (3PSCM).

There are four types of 3PL providers: Standard 3PL provider - Service Developer - Customer Adapter - Customer Developer.

### Types of 3PL Providers:

There are mainly four types of 3PL providers:

- **Standard 3PL Providers:** They perform activities such as, pick and pack, warehousing, and distribution - the most basic functions of logistics.
- **Service Developers:** They offer advanced value-added services such as: tracking and tracing, cross-docking, specific packaging, or providing a unique security system.
- **Customer Adapters:** They provide logistics services as per the request of the clients and essentially takes over complete control of the company's logistics activities. The 3PL provider improves the logistics considerably, but does not develop a new service.
- **Customer Developers:** This provider integrates its operations with that of the customer and takes over their entire logistics function. These providers will have few customers, but will perform extensive and detailed tasks for them.

### 3. Multi-Channel Marketing:

Multi-channel marketing uses different marketing channels to reach customers. A channel might be an online store and an offline store. It may also offer direct marketing service to the customers directly with the help of its salesforce at the doorstep of the customer.

Multi-channel marketers may communicate with the customer through direct and indirect communication channels such as websites, mail order catalogs, direct mail, email, mobile, indoor and outdoor advertising, publicity, and so on.

The objective of the companies doing the marketing is to make it easy for a consumer to buy from them in whatever way is most appropriate.

To be effective multi-channel marketing needs to be supported by good supply chain management system, so that the details and prices of goods on offer are consistent across the different channels. It also needs to be supported by detailed analysis of the return on investment from each different channel, measured in terms of customer response and conversion of sales.

### 4. Multi-level Marketing:

Multi-level marketing (MLM) is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of the other salespeople that they recruit. *Other terms used for MLM include pyramid selling, network marketing, and referral marketing.*

Most commonly, the salespeople are expected to sell products directly to consumers by means of relationship referrals and word of mouth marketing.

Some of the top MLM marketing companies operating in India include:

- **Avon** - is New York based multi level marketing company established in year 1886. It is a direct marketing company which sells cosmetic, beauty and personal products.

- **Hindustan Unilever Ltd.** - is a subsidiary of Anglo-Dutch Unilever. Unilever is a cosmetic and consumer products manufacturer which was founded in the year 1930. Its subsidiary in India (HUL) is a leading FMCG which offers MLM in the cosmetic product category.
- **Tupperware** - established in 1942 is a Orlando (USA) based multi level marketing company which offers wide range of products such as kitchen and home appliances. It offers direct marketing opportunity without any major investment required.
- **Amway** - a USA based multinational and direct marketing company. Amway was established in year 1959 and has global footprints in more than 100 countries.
- **Oriflame** - is a Swedish cosmetic company which sells products like skin care, make-up, fragrance, body care, hair and accessories. It was established in 1967 and operates in over 60 countries.

## 5. Vertical Marketing Systems:

In some instances, *the efficiency of the distribution channel is disrupted because of conflicts among channel members*. Conflict can occur between manufacturers and wholesalers as well as between the producers and the retailers. For instance, conflicts may occur due to delay in supplies, especially during festive seasons, on account of incentives' package, and so on.

In USA, one firm did not supply high tech toys for pre-Christmas sale. As a result of this the retailers not only lost sales but also were left holding large inventories of toys after the Christmas season was over.

Efforts to reduce conflict and improve the efficiency of the distribution channels resulted in the development of vertical marketing system (VMS). A VMS takes place when two or more stages of a distribution channel are combined and managed by one firm. VMS has become a popular method of organizing a distribution channel. There are three types of VMS - administered VMS, Contractual VMS, and Corporate VMS.

**(For Reference)****• Administered VMS**

An administered VMS is a distribution system coordinated by one dominant channel member. This channel member, often called the *channel captain*, can be a manufacturer, a wholesaler, or a retailer. Traditionally, the channel captain has been the manufacturer that provides the promotional budget to support a brand.

The manufacturers of dominant brands like Cadburys Dairy Milk, Colgate Toothpaste, Maggi, Nescafe, and so on command high levels of cooperation from the channel intermediaries in connection with displays, shelf space, and promotions. In recent years, however, an increasing number of wholesalers and retailers are assuming the role of channel captain.

For instance, **Gallo Winery** of USA (second largest wine company in the world behind Constellation Brands) exercises considerable power over company-owned and independent distributors. It ties the success in selling directly to wholesalers' performance with retailers. The company encourages distributors to hire a separate sales force to sell to and service retailers. It requires distributors to provide exceptional customer service, from setting up floor displays to dusting bottles on store shelves. Distributors are expected to follow detailed instructions set forth in a 300-page manual that covers everything from selling techniques to how much shelf space Gallo wines should occupy. Distributors benefit from Gallo's strong brand-name recognition and aggressive promotional support. They cooperate with Gallo because of the effective working relationship. In fact, most distributors owe their success to the winery's dominance of the channel.

- **Contractual VMS**

Under Contractual VMS, the channel members are bound by a contractual agreement. There are three types of Contractual VMS:

- **Franchise organisations** – franchisees such as Burger King, Baskin Robbins, McDonalds, and others are examples of contractual VMS.
- **Wholesaler-sponsored voluntary chain** of retail stores - under this agreement, a wholesaler provides marketing programs, merchandise selection, and other services to independent retailers that agree to purchase the wholesaler's products. This system helps independent retailers compete with mass merchandisers and retail chains.
- **Retail cooperative**, in which retailers set up wholesaling operation. The retailers agree to buy a certain amount of merchandise from the wholesaling operation, but may choose a common store name and develop their own private-label line of goods. In developed countries, this type of cooperatives is common in grocery business. The retail cooperatives also help independent retailers compete with mass merchandise and large retail chains.

- **Corporate VMS**

In a corporate VMS, the channel members are owned by one enterprise. In other words, it combines successive stages of production and distribution under single ownership. For example, Sears (American multinational department store chain) obtains over half the goods it sells from companies partly or wholly owned by it.

## SUPPLY CHAIN MANAGEMENT (SCM)

### Concept

*SCM is the management of supply chain activities to maximise customer value and to achieve competitive advantage.* Supply chain is a network of facilities and distribution options that performs the function of procurement of materials, transformation of these materials into intermediate and finished products and the distribution of finished products to the customers.

*SCM refers to the management of the flow of goods and services from the producer to the consumer.* It involves the movement and storage of raw materials, of work-in process inventory and of finished goods from point of origin to the point of consumption.

**Harland** states "Supply chain management is the management of a network of interconnected activities involved in the provision of products required by end customers."

**Douglas M Lambert** states "SCM involves the integration of key business processes across the supply chain for the purpose of creating value for customers and stakeholders."

According to the Council of Supply Chain Management Professionals (CSCMP), supply chain management encompasses the planning and management of all activities involved in sourcing, procurement, conversion, and logistics management. It also includes coordination and collaboration with channel partners, which may be suppliers, intermediaries, third-party service providers, or customers.

### COMPONENTS OF SCM

Supply Chain Management (SCM) is a series of interconnected activities related to the transformation and movement from raw material to the finished goods till it reaches to the end user. It is the

outcome of the efforts of *multiple organizations* that helps in successful implementation of the *activities* in supply chain.

The *multiple organizations* may include the firms with whom the organization is working like suppliers, manufacturers, wholesalers, retailers and consumers.

The *activities* may include integration, sourcing, procurement, production, testing, logistics, customer services, performance measurement, etc.

The following are the main components of SCM.

## **I. Planning**

Planning an efficient supply chain is an important component of SCM. A plan or strategy must be developed to address how a particular product will meet the needs of the customers.

Companies need a strategy for managing all the resources required to satisfy customer demand. A major part of SCM planning is developing a set of standards to monitor the supply chain so that it is efficient, costs effective and delivers high quality product and value to customers.

## **II. Sourcing (Procurement)**

.It involves building a strong relationship with suppliers of the raw materials needed to manufacture the product. Sourcing involves not only identifying reliable suppliers of raw materials but also planning methods for shipping, delivery, and payment.

Companies must choose suppliers to deliver the materials required for producing the product. Therefore, supply chain managers must develop a set of pricing, delivery and payment processes with suppliers and develop standards for monitoring and improving the relationships. SCM managers can put together processes for managing the inventory, including receiving and verifying shipments, transferring them to the manufacturing facilities and authorizing supplier payments.

### **III. Processing & Scheduling for Delivery**

This component involves the manufacturing of the product, testing the quality, packaging, and scheduling for delivery to the distribution centres and ultimately to the consumers.

Supply chain managers schedule the activities necessary for production, testing, packaging and preparation for delivery.

Processing is the most important component of supply chain management. At this stage, companies are able to measure quality levels, production output and worker productivity.

### **IV. Delivery (Logistics)**

Logistics is an important element of supply chain management. Some people consider supply chain management and logistics as synonymous. However, SCM is broader in scope.

The main elements of logistics include:

1. **Facility Location and Network Design:** The logistics department must design the location of facilities from where the logistics operations would be carried out and their interconnection.

The logistics department should decide about the location, size and number of logistics facilities like material handling facilities, manufacturing plants, warehouses, wholesale and retail outlets. These aspects of logistics would affect other aspects like levels of inventory, transportation, packaging and delivery.

2. **Information:** Logistics is essentially an information based activity of inventory movement across a supply chain. Information system plays an important role in delivering superior service to customers.

IT is used for collecting, storage, analysis, and transmission of data in respect of all components of logistics, order processing, inventory management, transportation, warehousing, and materials handling. A well managed information system

enables efficient performance of the various components of logistics.

3. **Customer Service Standards:** It refers to the quality of service, which a firm provides to its customers. The company's management sets quantitative guidelines for customer service. For instance, *Domino's Pizza* has set standard for delivery within 30 minutes of placing the order.
4. **Customer Order Processing:** It involves receipt of orders and processing of order so that the ordered products reach to the customer at the right time and at the right place.

Order processing is closely linked to the firm's customer service standards. Based on the customer service standards, the company makes every possible effort to deliver the products to the customers.

5. **Warehousing:** Warehousing involves the storage of products.

Major *warehousing decisions* include:

- Size and number of warehouses.
- Ownership of warehouses – owned or hired.
- Location of warehouses.
- Design and layout of warehouses.

6. **Transportation:** It facilitates the movement of goods from the supplier to the buyer. The form of transportation used to ship products depends primarily on the kind of product, the distance, and the cost. The physical distribution manager has an option to choose from a number of companies and modes of transportation.

**Transportation Modes:** The movement of goods can take place through various modes of transport such as air, road, rail, water, and pipeline (for gas). The choice of mode of transportation depends on certain factors such as nature of goods, location of the customer, cost of transportation, etc.

7. **Materials Handling:** Material handling refers to the activity of moving items within plants, warehouses, transportation terminals and retail stores. Equipment used to handle goods includes forklift trucks, conveyor belts, and trucks.

Unitization and containerization have improved materials handling in many ways:

- **Unitization** - combining as many packages as possible into one load that can be handled by a forklift truck. It is sometimes done with steel bands or shrink packaging.
- **Containerization** – putting packages, usually made up of several unitized loads into a form that is relatively easy to transfer.

8. **Inventory Management:** Inventory management is concerned with maintaining the right level of inventory to meet customer requirements at the lowest cost. Inventory management tries to achieve a balance between costs of maintaining inventories and customer satisfaction. To reduce inventory costs, many firms use computerized inventory control management systems

The company should maintain right level of inventory. Over-inventory and under-inventory is to be avoided.

- **Over- inventory** blocks working capital.
- **Under- inventory** affects delivery schedules.

9. **Logistical Packaging:** Logistical packaging is an important element of logistics network. Logistical packaging is different from product packaging.

Logistical packaging performs several functions:

- **Protective function** – logistical packaging protects the product from damage during transit.
- **Storage function** – logistical packaging facilitates the storage of the product.
- **Information function** – the packages are marked in such a way that the products in it are easily identified – by colour,

pictures or labels. Also proper handling instructions are listed on the packages especially in the case of fragile, perishable, and inflammable products.

- *Transportation function* – it facilitates the transportation of the products from one place to another.
- *Handling function* – it facilitates the loading and unloading of goods.

The different logistics functions of packaging, i.e., protection, storage, transport, information and handling provide a good example of the interdependencies that exist in logistics.

## V. Management of Returns

A company must design a system to manage the goods returned by the customers. Customers may return defective products. For many companies, this element may be the problematic element of supply chain management.

Companies need to create a responsive *network for receiving back the defective* and excess products from their customers. Companies also need to provide *support system* to address the problems which the customers face with delivered products.

*Note : The logistics element may be written in brief.*

## PROMOTION

## CONCEPT

Promotion is an important element of marketing mix. Promotion-mix is also called as communication-mix. Promotion-mix consists of various elements that informs, and induces the customers to buy the product.

William Stanton defines promotion "*as the element in an organisation's marketing mix that is used to inform, persuade and remind the market regarding the organisation and/or its products.*"

## IMPORTANCE OF PROMOTION

The importance of promotion is explained as follows:

1. **Awareness:** The marketer should undertake communication-mix to create awareness of the product or service in respect of the brand name, features, etc.

The awareness of the product or service can be created through various techniques such as advertising, publicity, etc. For instance, advertising can create **TOM (top-to-mind)** awareness through planned repetition of ads, creative copy, etc.

Nowadays, due to intense competition, it is not just enough to create awareness, but **TOM awareness**. This is because; the customer is most likely to buy that brand, which is on the top of his mind, especially in the case of impulse purchases.

2. **Attitudes:** Promotion is required to build or to reinforce attitudes in the minds of target audience. The marketer expects the target audience to develop a favourable attitude towards his brand.

Positive attitude towards the brand helps to increase its sales. Through techniques like publicity, advertising, salesmanship, trade fairs, etc, the marketer can correct negative attitudes towards the product, if any.

3. **Brand Loyalty:** Promotion-mix helps to develop brand loyalty. Brand loyalty refers to:

- **Repeat purchases** by satisfied customers.
- **Recommendation** of the product to others by loyal customers.

With the help of advertising, sales promotion, salesmanship, public relations, etc., the marketer can influence customers and develop brand loyalty.

**4. Brand Image:** Marketers need to develop a good image of the brand in the minds of target audience. There are several factors that can help to develop brand image in the minds of the target audience, such as:

- The character of the personality that endorses the brand,
- The content of the advertising message,
- The nature and type of packaging,
- The type of programmes or events sponsored, etc.

**5. Counter Competitors' Claims:** The marketer may counter the claims made by the major competitors. For instance, competitive advertising is undertaken to counter the claims made by competitors either directly or indirectly.

With the help of creative advertising, the marketer can claim the superiority of his brand. The marketer may also undertake aggressive sales promotion to counter the competition in the market.

**6. Corporate Image:** Promotion-mix helps to create a good corporate image in the minds of customers and others. For instance, advertising can help to create a good image in the minds of target audience.

With the help of creative advertising, use of distinct personalities, choice of the right media, etc., can help to create a good image in the minds of target audience.

**7. Educating the Customers:** Promotion may be undertaken to educate the customers. For instance, certain advertising is undertaken to educate the audience regarding the use of the product, handling operations, etc.

Public awareness campaigns also educate the public regarding the negative effects of noise, air and dirt pollution, social evils,

etc. Socially responsible firms not only try to achieve business objectives, but also social objectives through social advertising, and sponsorship of social-oriented events / programmes.

8. **Expansion of Markets:** Promotion may be intended to expand the markets. A marketer may intend to expand markets from local level to regional level, from regional level to national level, and from national level to international level. For this purpose, the marketer may undertake various techniques of promotion.
9. **Provides Information:** Promotion-mix provides information to the target audience about the product. Providing information is closely related to creating awareness of the product.

Potential customers must know about product features, uses, etc. Product information is very much required, especially when the product is introduced in the market, or when product modification is undertaken. Proper product information influences buying behaviour of the customers.

10. **Persuasion:** When competing firms offer similar products, the firms must not only inform the customers about the product's availability, but also persuade them to buy it.

Through persuasive messages, the marketer tries to provide reasons regarding the superiority of the product as compared to other competing brands available in the market.

Persuasion can be undertaken through creative advertising messages, product demonstration at trade fairs, sales promotion offers, etc.

11. **Reminder:** If target customers already have a positive attitude towards a firm's product or service, then a reminder objective may be necessary. The reminder objective is necessary, because the satisfied customers can be targets for competitors' appeals.

Well-established brands need to remind the customers about their presence in the market. For instance, '*Raymond - The Complete Man*' Campaign is designed to remind the customers.

## ELEMENTS OF PROMOTION-MIX

*There are various elements of promotion mix.* The choice of elements depends upon the promotion objectives. In general, the important elements or methods of promotion are as follows:

### 1. Publicity:

Publicity is any non-paid form of non-personal presentation of ideas, goods and services. Publicity is provided through news and editorials by the mass media about a firm - products, actions, policies, awards, etc.

Publicity can be favourable or unfavourable. A firm can influence the media people to carry positive publicity, and therefore, a firm needs to maintain good relations with media people.

Publicity has several advantages over advertising and other techniques:

- It creates good *brand image*.
- It can provide detailed *information* about the firm and its products.
- It is more believed as compared to advertising and other techniques.
- It is normally free of cost. Firms need not pay for the media space/time.

### 2. Advertising:

It is any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor. The advertising messages are communicated through various media such as newspapers, magazines, radio, television, direct mail, internet, and so on.

Advertising plays important role in promotion mix:

- It helps to develop top of mind *awareness*.

- It helps to reinforce positive *attitude* towards the brand.
- It enables to *counter the claims* of the competitors, etc.

(It is to be noted that internet is not a separate form of promotion-mix. It can be used for publicity (social networking), advertising, sales-promotion, public relations and direct marketing.)

### 3. Sales Promotion:

It consists of various tools that induce a desired response from customers and intermediaries. The various sales promotion techniques include combo packs, discounts, exchange offers, free samples, free gifts, etc. The sales promotion offers certain benefits:

- It *persuades* the buyers to buy the brand.
- It helps to develop *brand loyalty*,
- It ensures quick response from the target customers, etc.

### 4. Salesmanship:

It involves face-to-face communication between the firm's representative and the prospect. The basic objectives are:

- To *provide information* to prospective customers.
- To *persuade prospects* to buy the product.
- To educate the buyers regarding the use and handling operations, etc.

### 5. Public Relations:

Professional firms are concerned about the effects of their actions on the public. A firm must communicate to the public of its goals and interests; otherwise, they may be openly hostile to the firm's actions.

Unlike the other promotion mix elements, the element of public relations is concerned primarily with people outside the target

market, (although it may include them). The main objectives are:

- To build and improve ***corporate image***.
- To ***communicate*** the firm's goals and interests.
- To ***correct erroneous impressions*** of the firm.
- To fulfill social responsibility.

## 6. Packaging:

A properly designed package can influence or induce the prospects to buy the product. A well-designed package can communicate the type and quality of the product. Packaging plays important roles such as:

- ***Providing information*** of the product.
- ***Protection of goods*** while transporting and handling.
- ***Preservation of quality*** of the product.
- ***Promotion of the product*** due to attractive package.

## 7. Direct Marketing:

Direct marketing involves several techniques to sell directly to the customers, such as yellow pages, direct mail, internet, and telemarketing. The main advantages are:

- It offers customer selectivity. The marketer can communicate to the select audience.
- It can communicate latest information of the product.
- It helps to maintain customer relationship.

## 8. Trade Fairs & Exhibitions:

Participation in trade fairs and exhibitions is an important technique of promoting products. It is one of the oldest forms of promoting the sale of products.

It helps to achieve certain objectives:

- *Demonstration* of the product features/operations.
- *Detailed information* orally or through printed material.
- Education of the prospective customers.
- To observe the efforts of the competitors.

#### 9. Sponsorships:

A firm may sponsor sports, cultural and social events, in order to create a distinct image both for the organisation and for its brands. It is to be noted that firms have to be selective in sponsoring events. Sponsorships help in brand visibility and creates corporate image.

## **INTEGRATED MARKETING COMMUNICATION (IMC)**

### **CONCEPT**

*Integrated marketing communication refers to integrating all the methods of brand promotion to promote a particular product or service among target customers.* In integrated marketing communication, all aspects of marketing communication work together for increased sales and maximum cost effectiveness.

Integrated marketing communication (IMC) also called as integrated promotion mix. The IMC plays an important role in persuading, reminding, informing, developing image and attitudes, and educating the intended audience (normally buyers or dealers).

William Stanton defines Integrated Marketing Communication "*as the element in an organisation's marketing mix that is used to inform, persuade and remind the market regarding the organisation and/or its products.*"

## FEATURES OF IMC

The main features of IMC are:

### 1. Process:

IMC is a process of communicating messages to target audience in order to promote firm's goods and services. The process includes the following steps:

- Identifying target audience
- Determining communication objectives
- Instituting (developing) IMC plan
- Designing communication message
- Identifying communication techniques
- Determining the budget
- Implementing the IMC plan
- Review of performance

### 2. Main Objectives:

IMC is undertaken to achieve certain well defined objectives which may include:

- Creating awareness
- Developing attitudes
- Developing brand image
- Developing brand loyalty
- Countering competitive claims
- Building corporate image
- Persuading customers to buy products
- Providing information for customers' decisions

### 3. Continuous in Nature:

IMC is a continuous activity. There is a constant need to undertake IMC activities to face challenges of the competitors in the market. For instance, the marketer must continuously make use of advertising to act as a reminder to the customers to buy the firm's products.

### 4. Elements of IMC:

IMC involves a number of elements that can be used to communicate commercial messages to the target customers. The various elements include:

- Publicity
- Advertising
- Sales promotion
- Salesmanship
- Sponsorships
- Public Relations
- Packaging
- Participation in trade fairs and exhibitions.

### 5. Creativity:

Creativity is vital in all the elements of IMC. For instance, a good deal of creativity is required to create effective ads. Creative advertisers always make efforts to bring out creative ads, something more exciting, entertaining and effective – different from the existing ads.

### 6. Art and Science:

IMC is an art because it requires creative talents to produce effective commercial messages. It is a science, because commercial messages are planned and prepared after systematic study of target audience, product, competitors, etc.

## 7. Target Audience:

IMC is normally directed at select target audience. The marketer must select the right target audience and direct the messages to create a positive impact on them so that they buy and repeat the purchases of the marketer's brands.

## 8. Influences Diverse Groups:

IMC is primarily directed at the present and potential customers. However, while designing IMC, firms must also consider the various groups that IMC may have an impact. The various groups include the intermediaries, employees, shareholders and the society at large.

## SCOPE OF IMC

The scope of IMC can be discussed with the help of its elements. The IMC as an important element of marketing can be applied in promotion of various products such as goods, services, ideas, places, personalities, events, etc.

Under traditional marketing communications, firms or their agencies used to plan *separate campaigns* for advertising, public relations, publicity, personal selling, direct marketing and sales promotions. However, the integrated marketing campaigns use the *same communication tools to reinforce each other elements* and improve communication effectiveness. It is to be noted that nowadays for professional marketers, the difference between promotion-mix and IMC is getting blurred.

In an integrated marketing campaign, a firm can use advertising to raise awareness of a product and generate leads for the sales force. By communicating the same information in publicity or press releases and feature articles, a firm reinforces the message of the advertising. One can then use direct mail or email to follow up inquiries from the advertising or press campaigns and provide prospects with more information. To help convert those prospects to customers, a firm can use telemarketing to sell directly.

The various *elements or components* of IMC are:

### 1. Publicity or media releases:

The publicity campaign needs to be blended with other elements of IMC. For instance, when a new product is launched in the market; the main objective is to create awareness. Nowadays, it is not enough to create awareness but to create top of mind (TOM) awareness. Under IMC, all the elements of IMC must be integrated in such a way that the elements speak the same language i.e., if publicity speaks of unique quality or features of the product, then the other elements must focus on the same.

### 2. Advertising including Websites.

Under IMC, if the company selects various media like TV, radio, internet, websites, print media, etc., then the same message must be presented to the audience. The slogans/taglines, the logo, copy text, etc., must convey the same meaning in all the media of advertising. This means, the advertising in all the media selected must be integrated. Also, advertising needs to be integrated with the other elements of IMC for greater impact on the audience.

### 3. Sales promotion:

Sales promotion involves various tools such as effective after-sale-service, banded products, coupons, discounts, exchange offers, free samples, gifts, etc., which may be used by a company to promote its sales.

The sales promotion efforts need to be integrated with other elements of IMC. Also, the timing of sales promotion offers needs to be integrated with other elements. For instance, if a company comes up with special offers during a particular season then there is a need to advertise heavily about such offers prior to the season and/or during the season.

If a product (say car) is targeted to a certain class of people such as middle income group, then the sales promotion efforts must match with the other elements of IMC. For instance, if a company comes up with longer period of after-sale-service (which would be preferred by middle class customers), then it must be matched with other elements such as personal selling,

publicity, etc. In this case, the personal selling efforts must highlight after-sale-service of the company vis-à-vis the competitors.

#### **4. Sponsorships:**

Under IMC, there is a need for integration of sponsorships (of events like sports, cultural activities, etc) with other elements of IMC. For instance, if a company (say Rolex) wants to sponsor a top class sports event such as Wimbledon, then its press releases, public relations, participation in trade fairs and exhibitions, etc., must also highlight the luxury (top class) aspects of the product.

#### **5. Personal Selling:**

Personal selling refers to the selling efforts by the sales persons to convince the prospects to buy the product. Personal selling efforts needs to be integrated with other elements of IMC.

For example, if a company sells a luxury product, the company must select and train highly competent sales persons. The sales persons need to have a good personality, they need to dress well, speak well, and social behaviour must be of highest order. The other elements of IMC must also talk about the sophistication of the product. This means there must be an integration of all the elements of IMC which are used to promote the product.

#### **6. Public Relations Campaigns:**

The public relations campaigns must be in accordance with the other elements of IMC. For example, if a company is subject to adverse media reports about the company's product due to certain errors or negligence of one or some of its employees, the company must come up with public relations campaigns admitting the error or mistake (after all any one of us can make mistakes at times), and highlighting the measures taken to erase the mistake or error. A trustworthy person may be used as an ambassador to convey the measures taken by the firm. In such a situation, the other elements such as advertising must advocate the efforts taken by the company to overcome the problems. The personal selling efforts must also highlight the special efforts taken by the company to overcome the problem,

**7. Packaging:**

The packaging standard must match with the other elements of IMC. The packaging in terms design, quality of packaging materials, shape, size and the colour of the package must match with other elements of IMC. For instance, if publicity, advertising, personal selling, etc place emphasis on the unique quality and servicing of the product; the packaging must also be designed uniquely so as to induce the prospect to buy the product.

**8. Direct Marketing:**

The direct marketing forms include direct mail (sales letters, catalogues), telemarketing efforts, media-direct-response, electronic yellow pages, etc. The communication in the direct marketing forms must match with the other elements of IMC. For instance, the sales letters and catalogues must be drafted creatively using good quality stationery, and using creative designs, language, etc. This is especially important when the other elements like advertising, personal selling, etc. emphasize on the unique aspects of the product.

**9. Social Media Responses by the Firm:**

A company may respond to the comments made by customers and others on the social networking sites. The company must not get frustrated for adverse comments and use proper responses to respond to such comments. Also, the company must acknowledge with gratitude the positive comments on the social networking sites. This must be in line with the other elements of IMC, especially when other elements talks highly about the product or service.

**10. Trade Fairs and Exhibitions:**

Participation in trade fairs and exhibitions is an effective technique of promoting products. It helps to achieve certain objectives such as providing relevant information about the product to the visitors, demonstrating the product, obtaining leads, etc.

The efforts of the company's staff at the trade fairs and exhibitions must match with the other elements of IMC. For

instance, the efforts of the staff at trade fairs and exhibitions must match with that of personal selling. Also, if advertising claims of higher periods of after-sale-service and guarantees or warranties, the staff at the trade fairs must also highlight the same.

## IMPORTANCE

By integrating tools such as advertising, direct mail, social media, telemarketing and sales promotion, a company can provide clarity, consistency and maximum communications impact.

### 1. Greater Impact:

Under traditional marketing communications, firms or their agencies plan *separate campaigns* for advertising, public relations, publicity, direct marketing and sales promotions. Integrated marketing campaigns use the *same communication tools to reinforce each other* elements and improve communication effectiveness.

In an integrated campaign, a firm can use advertising to raise awareness of a product and generate leads for the sales force. By communicating the same information in publicity or press releases and feature articles, a firm reinforces the messages in the advertising.

One can then use direct mail or email to follow up inquiries from the advertising or press campaigns and provide prospects with more information. To help convert those prospects to customers, a firm can use telemarketing to sell directly.

### 2. Consistency in Communications:

In an integrated marketing campaign, the different tools (publicity, advertising, sponsorships, direct mail, etc.,) feature the same creative treatment. By repeating the headlines, images, taglines or slogans in each communication, a firm ensures that prospects and customers receive consistent messages each time they see or hear any or many of the elements of the IMC campaign. Consistency in communications helps to reinforce

the basic IMC campaign every time the audience hear or see the elements of IMC.

### 3. Brand Awareness at a Lower Cost:

Integrated marketing campaigns can also result in cost savings. By using the same images and adapting the same copy for different media, one can reduce copy-writing, designing illustrations and photography costs. If a firm works with external agency, IMC will help to reduce agency fees by working with a single agency that offers integrated communications services, rather than separate specialist agencies

### 4. Brand Awareness:

IMC can help to create strong awareness of the brand in the minds of the audience. Brand awareness is vital in gaining competitive advantage in the market.

By integrating the same theme in all the communication elements (publicity, advertising, sales promotion, etc.,), a firm would be in a better position to create top of awareness in the minds of the audience. However, if communication elements are not integrated, then it may create confusion in the minds of the target audience.

### 5. Preference of Audience:

IMC helps a firm to provide audience with information in the format they prefer. Consumers and business partners can specify if they want to receive product information via email, direct mail, etc. Integration ensures they receive the same information in all communications.

A firm can also meet the needs of customers who search the Internet for product information by integrating its website design and content with other communications.

### 6. Relationship with Customers:

IMC ensures two way communications with customers, which is vital in any business. Customer feedback needs to be monitored for the success and survival of a business. In earlier days, marketers relied only on advertising and simple

promotions to make their brand popular among the customers. Nowadays on account of stiff competition, marketers need to promote their brands by effectively integrating relevant marketing tools for better results and increased productivity.

IMC plays an essential role in delivering a unified message to customers through various marketing communication channels and thus a business firm has better chances of attracting customers. IMC may also lead to customer loyalty.

#### **7. Time Saving:**

IMC saves lot of time of the marketing firm and its agency. The marketer can hire one agency to develop IMC. The same theme, design, headlines etc., can be used across all the marketing channels like radio, TV, press, direct mail, etc. Thus, there is not only cost saving but also time saving. However, in the case of traditional communication, a business may have to appoint different agencies to handle different marketing channels. Each of the agency may develop separate themes and creative aspects, thereby, resulting in waste of time and money.

#### **8. Competitive Advantage:**

IMC can help a company to gain competitive advantage in the market. A single and unified marketing communication with innovative elements can create a good impact on consumer buying behaviour. The consumers view the brand favourably in their mind and therefore, there is more likelihood of favouring the brand of a company using creative or innovative IMC rather than that of a firm adopting traditional marketing communication.

#### **9. Audience Trust:**

Under traditional marketing communication, audience is sceptical of certain elements such as advertising, direct mail, salesmanship, etc.. For instance, the audience are of the view that the statements made in advertising are deceptive and they lose faith and trust in advertising. However, in the case of IMC, audience may trust advertising as it is integrated with other elements of IMC.

## 10. Other Benefits:

A firm using IMC can gain several other benefits such as:

- It helps to develop brand image.
- It helps to create a positive attitude towards company's offering.
- It helps to build corporate image.
- It increases the demand for the products.
- It provides information to the audience.
- IMC may persuade the audience to buy the product, etc.

## SALES MANAGEMENT

### CONCEPT

Sales management is the process of developing a sales force, coordinating sales operations, and implementing sales techniques to achieve sales goals.

Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a sales operations.

Sales management is different from marketing management:

- Sales Management deals with the management of a company's sales operations. Sales management is responsible for achieving the sales targets, selection and training of sales staff, obtaining orders, stock checking, preparing sales reports, evaluating sales performance, maintaining relationships with retailers and wholesalers, etc.
- Marketing management is concerned with the marketing of goods and services. It focuses on the practical application of

- marketing techniques and the management of a firm's marketing resources and activities.

## COMPONENTS OF SALES MANAGEMENT

The main components of sales management are:

### 1. Sales Planning:

Sales planning is an important element of sales management, which is concerned with setting sales goals. It also involves:

- Sales strategizing
- Setting target units of sales
- Demand management
- Quotas
- Demand and supply forecasting

Sales planning involves framing a sales plan to achieve sales targets. A sales plan indicates the various sales activities and the resources required to undertake such activities.

### 2. Recruitment and Selection:

Management of sales require personnel to undertake the various sales related activities. Recruitment involves identifying manpower requirements and then advertising the job to attract competent people.

Selection follows recruitment. Selection is a process to select right person for the right job. Various employment tests and interviews are conducted to select the sales personnel. For instance, aptitude test is conducted to find out the aptitude towards selling.

### 3. Training the Sales Staff:

There is a need to provide training to the selected sales staff. Training helps to:

- Improve knowledge

- Develop attitude
- Improve skills
- Develop social behaviour.

Generally, training helps to improve the overall efficiency of the employees. In sales, training needs to be an ongoing process.

#### **4. Placement of Employees:**

Placement refers to fitting the right person at the right place of work. Proper placement makes employees to work with commitment and dedication. Right placement brings job satisfaction to the employees and thus, it generates higher efficiency of the organisation.

It is to be noted that when employees get job satisfaction, they work with greater commitment, and greater commitment leads to greater effort. Greater effort on the part of the employees leads to higher performance, which brings in greater rewards to the employees/ Greater rewards generate further job satisfaction.

#### **5. Performance Appraisal:**

There is a need to conduct performance appraisal of the employees. Performance appraisal is a systematic description of employees' job relevant strengths and weaknesses. Various methods of performance appraisal may be used such as 360 degree appraisal, bell shaped curve method, ranking method, rating method, etc.

Employees getting higher ranks or scores need to be motivated and promoted, whereas, employees getting lower ranks or scores may be provided with training or they may be transferred or terminated from their services.

#### **6. Motivating the Sales Staff:**

Motivation is an important element of sales management. Motivation is an act of stimulating the employees to enhance their performance. Employees can be motivated with incentives:

- Monetary incentives such as higher pay, bonus, etc.

- Non-monetary incentives such as better working conditions, welfare facilities, appreciation, higher status, etc.

## 7. Monitoring Sales Performance:

There is a need to monitor the sales performance – product wise, area wise, period wise, team wise and so on. Monitoring involves the following steps:

- Setting of targets
- Implementation of targets
- Measuring of performance
- Comparing actual performance with the targets.
- Finding out deviations.
- Designing and implementing corrective measures.
- Follow-up of corrective measures.

## 8. Sales Reporting:

Key performance indicators are used in determining the effectiveness of the workforce. A sales report is usually drawn by the sales manager on the basis of inputs provided by the subordinates. The sales reporting is done – product wise, area wise, period wise, etc. Sales reports are used for monitoring or controlling sales targets, and also for the purpose of future planning.

## EMERGING TRENDS IN SELLING

Changes or trends are taking place in the field of selling. Some of the trends in selling are as follows:

### 1. Social Selling:

Social selling has emerged as one of the fastest growing practices, especially in B2B sales organizations. Sales personnel are increasingly using social networking sites to listen to online

conversations, engage with prospects and manage relationships with current customers.

Social media channels like Instagram, Facebook and Twitter are becoming increasingly important where people can post their experiences of certain services or events. The sales managers should make efforts to obtain positive feedback about their services on social networking sites, which in turn can generate higher sales.

## 2. Growing Use of Digital Technology:

During the past few years, a number of digital technologies have been developed exclusively for sales professionals. There is an explosion of tools that provide smarter ways to identify prospects, deliver sales presentations and close sales deals faster.

Digital revolution and management information system have greatly increased the capabilities of consumers and marketing organizations:

- Nowadays, consumers can get information about products, compare it with other brands and place an order over the internet.
- The sales force can get information about internet users and online buyers. To compete effectively sales managers and sales force will have to adapt to the digital technology.

## 3. Global Challenges:

Global competition is intensifying. Domestic companies who never thought about foreign competitors are suddenly facing competition from them on their home turf. This is a challenge which sales managers and sales persons must face. They have to improve their personal selling efforts not only in their countries but also in foreign countries. Selling goods and services in global markets presents a challenge due to differences in culture, language, needs and requirements.

## 4. Customer Relationship Management [CRM]:

Nowadays, there is a growing trend towards CRM. CRM is concerned with managing detailed information of individual

customers and every customer touch point to maximise customer loyalty. Various CRM techniques are being adopted to increase sales and to maximize customer loyalty. Some of the CRM techniques involve:

- Data warehousing and data mining
- One-to-one marketing
- Loyalty packages
- Satisfaction surveys, etc.

Firms are focusing not only on CRM but also building long term healthy relations with distributors, and suppliers so as to keep the business growing.

#### **5. Blurring Line Between Sales and Marketing:**

Nowadays, there is a blurring line between sales and marketing, especially in the B2B organisations. The line between sales and marketing is fading.

Sales and marketing can no longer afford to work in silos. Silos is a mind-set present in some companies when certain departments or sectors do not wish to share information with others in the same company. This type of mentality will reduce the efficiency of the overall operation, reduce morale, and may contribute to the demise of a productive company culture.

The sales and marketing teams need to work towards a common goal and share resources, processes, systems and even performance metrics. So what is the difference between marketing and sales? If there is a difference, the line between marketing and sales is fading.

#### **6. Sales Force Diversity:**

The demographic features of sales force is changing. For instance, more women are taking up careers in sales management and selling. Also the education level of sales people is going up most of them holding a college degree or a post graduate degree.

Nowadays, Sales managers have to handle a sales force of varied demographics. Expectations of each and every individual is different and therefore, the sales manager needs to use different motivational tools against each one of them.

## 7. Team Selling Approach:

In recent times, several companies follow the practice of team selling. Team selling approach is used when company wants to build a long term mutually beneficial relationship with major customers, who have high sales and profitable potential.

Team selling approach is used for selling a technically complex product or a service to a potential customer. The composition of team may vary from top management, technical specialist, customer service, etc., depending upon the nature of the product and the customer.

## 8. Ethical and Social Issues:

Nowadays, there is a growing concern towards ethics and social issues. Sales managers have ethical and social responsibilities. Sales people face ethical issues such as bribery, deception, and high pressure sales tactics. Today's sales managers have no choice but to ensure ethical standards from sales force otherwise they may be out of business or even land up in legal problems. The sales people must keep in mind that ethical practices determine the success and survival of the organisation in the long run.

# PERSONAL SELLING

## CONCEPT

Personal selling is an important element of promotion-mix and integrated marketing communication. *Personal selling is also known as face-to-face selling in which a salesperson convinces the buyer in buying a product.* The salesperson uses skills and abilities in an attempt to make a sale.

The salesperson tries to highlight various features and benefits of the product to convince the customer. Apart from convincing the customer to buy the products, the sales persons provide additional information such as that of forthcoming product launches, new sales promotion offers, etc.

Personal selling can take place through two different channels – through retail and through direct-to-consumer channel.

- Under the retail channel, a sales person interacts with potential customers who come on their own to enquire about a product or to buy the product. The job of the salesperson is to make sure that he understands the need of the customers and accordingly shows various products that he keeps under that category. If a customer is determined to buy a particular brand, the sales person should not unnecessarily force the customer to buy some other brand.
- Under the direct channel, a salesperson visits potential customers to make them aware about the company's product or a new product that the company is launching. A salesperson may also inform the customer of a new offer which customers may not be aware of from other sources.

## PROCESS OF PERSONAL SELLING

The process of personal selling involves a number of steps from prospecting to follow-up of sales. The following are the main stages of personal selling:

### 1. Prospecting:

The process of finding leads is called prospecting. In prospecting, the sales person finds out which individuals or firms that could be targeted for sales.

Companies generate leads in the following ways:

- Searching names by examining data sources such as newspapers, directories, and other published records.

- Establishing a booth at trade shows and exhibitions.
- Getting the names of the prospects from existing customers.
- Obtaining the names from referrals sources such as dealers, suppliers, sales reps, executives, bankers etc.
- Obtaining the names of the prospects from organizations and associations.
- Obtaining information from social networking sites.

## 2. Qualifying a Prospect:

The sales staff needs to identify the qualified prospects. Not all the leads may need the product. A lead is a name on a list. The lead becomes a prospect only when it is determined that the person or company can benefit from the service or product offered. A qualified prospect has a need, can benefit from the product and has the authority to make the purchase decision.

## 3. Pre-Approach:

This stage involves the collecting of as much relevant information as possible prior to the sales presentation. The pre-approach investigation is carried out on new customers but also on regular customers.

Having found out the prospective customers, the salesperson should collect some important details about the prospects. For example, if the prospect is a company, then he should know what the company needs, who takes purchase decisions and who are its clients.

After knowing the important particulars about the prospects, the salesperson should set call objectives. The sales person should also decide on the best approach which may be a personal visit, a phone call or a letter. Besides he should also decide on the timing of approaching the prospect based on the convenience of the prospects.

## 4. Approach:

The salesperson should always focus on the benefits for the customer. This is done by using the product's features and

advantages and the benefits to the customer. This approach is also called as the *FAB* (Features, Advantages and Benefits) *Approach*:

- *Features* – refers to the physical characteristics such as size, shape, colour, etc.
- *Advantages* refers to the performance of the product – durability, reliability, etc.
- *Benefits* refers to the benefits for the prospect. For example – lower costs of maintenance.

#### **5. Sales Presentation:**

After generating the prospects interest, the sales person makes the sales presentation. This involves a *persuasive vocal and visual explanation* of a business proposition.

The sales presentation should be based on *AIDA* Formula. The sales presentation must:

- Attract attention,
- Develop interest,
- Arouse desire,
- Secure action (buying decision)

Sales presentation varies in style. There are three styles of sales presentation:

- Canned approach – sales talk covering main points.
- Formulated approach – identifies the customer needs and buying behaviour and then making a sales presentation.
- Need satisfaction approach – which starts with identification of the buyer's real needs and then encouraging the buyer to talk of his own needs.

#### **6. Handling Objections:**

Objections are often indications of interest by the prospect and should not be misunderstood by salespeople. The prospect is

in fact requesting additional information to help him to justify a decision to buy. The prospect may not be fully convinced and the issues raised are thus very important. It also assists the salesperson to establish exactly what is on the prospect's mind.

Customers when pressed for orders, voice their objections known as customer's resistance. The resistance of the customers may either be psychological or logical.

- Psychological resistance includes resistance to interference, giving importance for well established brands, impatience, reluctance to participate in the talk, aversion towards decision making, etc.
- Logical resistance is based on some reasons associated with price, delivery schedule, after-sale-service, guarantees and warranties, etc. Salesperson should overcome these objections by adopting a positive approach. He must convert the objections into reasons for buy.

## 7. Closing the Sale:

This is the last part of the presentation. A goods sales talk results in clinching a sale. At this juncture, the salesperson closes the sale at the right moment. A salesperson can successfully close the sale by studying the body language and the statements made by the buyers. The sales person can ask for the order by drawing the attention of the customers towards colour, size or type of the product. If the buyers remain undecided, they may be guided in making the choice of the product.

## 8. Follow-up:

The sale does not complete the selling process. Follow-up activities are very important and are useful for the establishment of long-term business relationships. The sales person should check whether the goods are delivered on time. The sales person may conduct satisfaction survey of the customer. Any assistance required by the buyer may be considered. The follow-up activities help to enhance customer relationships and loyalty. Satisfied customers act as evangelists for the company.

## SKILLS FOR EFFECTIVE SELLING

The sales persons need to have effective skills to convince or persuade the prospects to buy the products. Some of the skills are:

### 1. Product Knowledge:

A sales person should have complete knowledge of the product which he is selling. The sales person should be able to explain in detail how each product works. The sales person should also have good product knowledge of the competitors. This will help him to effectively present the sales pitch to the prospective customers to induce them to buy the product which he is selling. In the sales pitch, the sales person need to highlight the product's special features vis-à-vis that of the competitors.

To ensure good product knowledge, the sales manager must provide effective training to the sales force. The training needs to be an ongoing process as there may be modifications or changes in the product's features and also in the company's sales promotion offerings.

### 2. Prospecting Skills:

Sales persons need to have good prospecting skills. They need to collect important leads, and must have the skills to convert the leads into prospects. The sales persons may avoid cold-calling. This is because, very few people respond positively to cold-calls. However, the sales persons must focus on strategic prospecting - searching for referrals from existing customers or from other connections.

### 3. Active Listening:

Sales force needs to be proficient in active listening. They need to listen effectively relating to the needs, problems and even suggestions from the prospects. The sales force also need to ask follow-up questions after active listening.

Most people appreciate a good listener. Great listening skills can help the sales force to empathise with the prospects, which in turn help them to learn more about the needs and requirements of the prospects. With great listening skills, the

sales persons can sell more effectively and offer better service and solutions to the customers.

#### **4. Effective Communication:**

The tone of the voice, the speed of sales talk and the body language of the sales person must be appealing to the prospects. Generally, how you say matters more than what you say to the prospect.

Sales persons should try to understand prospect's tone of voice and style of talking. When a prospect is more formal and polite, the sales person must do the same. However, if the prospect is more informal in the choice of words and uses a bit of humour, the sales person may have the skill to do the same. In this way, the prospect may develop a rapport with the sales person which may enable to clinch the sales deal. Sales persons must also speak clearly but not too loudly and also not in a monotone. Such a talk may annoy the prospect and it would be difficult for the sales person to clinch the sales deal.

#### **5. Time Management:**

The sales persons must be good at time management. They must focus on the most promising leads and avoid wasting time with the disinterested leads. They must also value the time of the prospect and provide only relevant highlights of the product to convince the prospects to buy the product.

It is always advisable to have a suitable appointment with the prospect in the case of direct-contact prospects. On the day of the appointment, the sales persons must re-confirm the availability of the prospects. In the case of retail customers, the sales person must not spend too much time with one customer as other customers who are waiting for interaction may get irritated and may even leave the store without interaction. This means always respect other person's time.

#### **6. Objection Handling:**

Sales persons must have good skills in handling objections. Whenever there are some objections by the prospects with reference to price, features, quality, delivery, after-sale-service, etc.; the sales person must be sincere in understanding the

problems or objections raised by the prospect. The sales person must show empathy towards the objections raised by the prospect. At times, if the prospect is very important to the organisation, the sales person must be in a position to provide special offers to such a prospect so that the sales deal is finalised.

### 7. Demo Skills:

The demo presentation skills are a must for sales persons. Demos are challenging to convince the prospect. The sales person should highlight the special features and service to the prospect at the time of demo. Presenting too many features may confuse the prospect and it may also waste the prospect's time. Only when the prospect asks for more clarity on several features, then the sales person may explain the several features to the prospect. During the demo, the body language, the tone and the pitch of the voice must be effective to convince the prospect to place orders.

### 8. Closing Techniques:

Sales persons must be good not only in presentation and demo to convince the customer, but must also have great skills in closing the deal. One thing is sure, the sales person must not force the prospect to close the deal. The prospect must be fully convinced regarding the value of the product and then only close the deal. It is always advisable to close the deal at an earlier date rather than delaying it at a later date.

With the right combination of convincing power and the value offered, sales persons should be able to close the deal with the prospect.

### 9. Post-Sale Relationship Management:

Sales persons should develop effective post-sale relationship with the buyer. Once the product is sold, the sales person should not forget or ignore the buyer. The sales person need to be in touch with the buyer after the sale. The sales person must follow-up with the buyer to find out the satisfaction level, and to provide solutions to any problem faced by the buyer. Post sale relationship goes a long way in improving goodwill of the organisation and in developing customer loyalty.

## 10. Establishing Trust with the Buyer:

Buyers like to do business with people they trust. Good salespeople view their ability to establish trust with the buyer as a core sales skill. Therefore, the sales person should clearly understand the needs and requirements of the buyer, and offer them help to maximise their satisfaction. This will help the buyers to develop trust and confidence in the sales person and also in the company which the sales person represents. Helping the buyer goes a long way in this regard, as does understanding what the buyer wants.

### REVIEW QUESTIONS

1. What is physical distribution? Explain the factors influencing physical distribution.
2. Discuss the traditional distribution channels in marketing.
3. Explain the different contemporary distribution channels in marketing.
4. What is supply chain management? Explain its components.
5. What is promotion? Explain its importance in marketing-mix.
6. Explain the elements of promotion-mix.
7. What is IMC? Explain its importance.
8. Discuss the scope of integrated marketing communication.
9. What is sales management? Explain its components.
10. Discuss the emerging trends in selling.
11. What is personal selling? Explain the stages in the process of personal selling.
12. What are the skills required for effective selling?

### OBJECTIVE QUESTIONS

#### (A) State whether the following statements are true or false :

1. Channels of distribution create only place utility.
2. A firm may select direct channel when the customers are large and are geographically dispersed.
3. Direct channel of distribution is a contemporary form of distribution channel.
4. Horizontal Marketing System is a traditional form of distribution channel.

5. Multi-channel marketing uses a single marketing channel to reach customers.
6. The concept of supply chain management is narrow in nature as compared to logistics.
7. The terms 'multi-level' marketing and 'multi-channel' marketing are synonymous.
8. Research and Development is an important component of distribution.
9. Materials handling does not play any role in logistics.
10. Logistical packaging does not facilitate transportation of goods.
11. The content of advertising is controlled by the media owners.
12. Advertising does not require creativity to design effective advertisements.

**Hint:** All statements are false.

**(B) Fill in the blanks with the correct option given in the bracket :**

- (a) \_\_\_\_\_ refers to the extra incentives that the channel intermediaries get to stock and promote the products.  
(Push commission, Pull incentives, Extra Credit Period)
- (b) The main objective of advertising is to \_\_\_\_\_.  
(create awareness, increase sales, increase profits)
- (c) \_\_\_\_\_ involves preparing and placing attractive displays of a new product.  
(Merchandising, Salesmanship, Sales Promtion)
- (d) \_\_\_\_\_ System takes place when two or more stages of a distribution channel are combined and managed by one firm.  
(Vertical Marketing, Horizontal Marketing, Third Party Logistics)
- (e) \_\_\_\_\_ is a form of consumer-oriented promotion techniques.  
(Exchange offers, trade discount, Dealer conferences)
- (f) \_\_\_\_\_ facilitates detailed information to the prospective customers.  
(Trade fairs, advertising, sponsorships)
- (g) \_\_\_\_\_ helps in protecting the goods from damage during transportation.  
(Packaging, Tracking, Insurance)
- (h) \_\_\_\_\_ is an unpaid form of promotion-mix.  
(Publicity, Advertising, Salesmanship)
- (i) \_\_\_\_\_ channel is also called as 'zero-level' marketing channel.  
(Direct, Indirect, Multi-level)
- (j) \_\_\_\_\_ marketing system is an arrangement whereby two or more firms at the same level join together for marketing purposes to capitalize on a new opportunity.  
(Horizontal, Vertical, Multi-Level)

**Hint:** The first option is the correct answer.

**4**

## KEY MARKETING DIMENSIONS

*'Excellent relationship with stakeholders makes you a leader at the marketplace.' - Michael Vaz*

- **Marketing Ethics**
  - Concept
  - Unethical Practices in Marketing
  - General Role of Consumer Organisations
- **Competitive Strategies for:**
  - Market Leader
  - Market Challenger
  - Market Follower
  - Niche Marketer
- **Rural Marketing**
  - Concept and Features of Indian Rural Market
  - Strategies for Effective Rural Marketing
- **Digital Marketing - Concept and Trends**
- **Green Marketing - Concept and Importance**
- **Challenges Faced by Marketing Managers in 21<sup>st</sup> Century**
- **Careers in Marketing**
- **Skills Sets Required For Effective Marketing**
- **Success of Brands in India - Factors Contributing**
- **Failure of Brands in India - Reasons**

## ETHICS IN MARKETING

### CONCEPT OF MARKETING ETHICS

The word ethics is derived from the Greek word 'Ethos' which means 'Character' or 'Fundamental Values'. The word ethos is used to describe the guiding beliefs or ideals that characterize a group, community, nation, or an ideology.

Ethics is a branch of Philosophy which is concerned with human conduct. In Philosophy, ethics defines what is good for an individual and for society. It aims at welfare of the individuals as well as that of the society as a whole.

Business firms must adopt ethical values and practices in all the elements of marketing-mix. Marketing managers need to take ethical decisions in respect of product, price, promotion, place, packaging, etc.

The marketers must consider the rights of the customers:

- (a) Customers have the right to get right quality of products, which are not harmful for their health. Therefore, a marketer must take ethical decisions regarding product in terms of design, quality, ingredients, etc.
- (b) Customers have the right to get products at the right price and not at exorbitant prices. Therefore, a marketer has to fix the right price by considering certain factors and by adopting the right pricing strategy.
- (c) Customer have the right to get proper information of the product through publicity, advertising, sales force, etc. Therefore, a marketer must decide about the effective promotion-mix.
- (d) Customers have the right to get goods through the right channels of distribution. Therefore, a marketer must select the right channels to distribute the goods to the customers.

## UNETHICAL PRACTICES IN MARKETING

Business firms are expected to follow ethical practices in marketing in their own interest and in the interest of the customers and society. However, a good number of them including MNCs adopt unethical practices in marketing their products.

Some of the unethical practices in marketing are as follows:

### 1. Targetting to Children :

Advertising and promotion *targeted to children* have an adverse effect on their personality. A famous child specialist (*Dr. Allen Kanner*) observed that children are more diverted towards material goods, which is the result of advertising and promotions that companies use to sell their products and play with human psyche.

Advertising creates *materialistic values* rather than spiritual ones. A psychologist who specialized in materialism study (*Dr. Tim Kassell*) said that people who are materialistic are less satisfied and they are not happy with their life, they are much more into drugs and alcohol and they tend to contribute less to their communities.

### 2. Dramatisation of Children:

Ads dramatise children as *super kids* - who excels in studies and sports - simply because they consumes a particular health drink. Quite often, such health drinks do not contribute to the growth of the child.

### 3. Unhealthy Products:

Some firms manufacture and market harmful products such as cigarettes and alcohol and promote them through surrogate ads. Also some firms market unhealthy products such as soft drinks, potato chips and so on. The manufacturing and marketing of harmful products raises ethical issues.

### 4. Predatory Pricing:

*Predatory pricing* by large MNCs to wipe out the competition also raises ethical issues in marketing. Predatory pricing

adversely affects small and medium firms. Especially in developing countries a large number of workforce is engaged in small and medium companies, and predatory pricing can lead to loss of employment.

#### 5. Exorbitant Prices :

Drug companies charge *exorbitant prices* for medicines and induce doctors with gifts and incentives to prescribe the same to patients. Unethical doctors fall prey to such incentives and ignorant patients have to buy highly priced medicines even though cheaper versions are available in the market.

#### 6. Privacy Concerns :

Certain companies such as mobile companies, banks, insurance firms, and others are criticized for sharing (unofficially) customer data with other companies without the explicit permission of the customers. Such instances raise *privacy concerns of the customers*.

#### 7. Trade mark Violations :

*Trade mark and brand name violations* are ubiquitous throughout the developing world. In developing countries there is lack of adequate legal framework to penalize violators. MNCs lose huge sums of money due to trade mark and brand name violations.

#### 8. Data Piracy :

*Data piracy* is a major concern in several countries especially in developing nations. Data piracy costs software, music and movie companies billions of dollars.

#### 9. Expiry Date Concerns :

There are cases where unethical marketers sell *products which have crossed the expiry date* by repacking with a new expiry date. At times, they get caught by local authorities, but strict legal action is not taken.

#### 10. Unethical Sales Promotion :

*Unethical sales promotion* techniques are adopted by several marketers. For instance, products may be promoted with huge

discount, but quite often there is no discount at all or the discount is given only on outdated stock.

#### 11. Celebrity Endorsement :

*Celebrity endorsement* is a major ethical issue in marketing. Firms pay huge sums to celebrities to endorse the product. Quite often, the celebrity that endorses the product does not use the product at all. The celebrity endorsements emotionally blackmail the consumers.

The Government needs to implement a regulation to penalise celebrites for making tall claims about the brands which they are promoting.

#### 12. After-Sale-Service Concerns :

*After-sale-service* is quite poor in many developing countries. Even the reputed MNCs do not bother to provide timely and efficient after-sale-service to customers. Poor after-sale-service can be an unethical practice on the part of marketers.

#### 13. Artificial Shortage :

Some marketing firms are criticized for *artificial shortage* and cartel activities. The firms may form a cartel to control supply and to increase prices.

#### 14. Unfair Practices :

Some business firms adopt *unfair competitive practices* such as unfair brand comparisons, colluding with unethical media persons to malign the name of competitors, and so on.

### GENERAL ROLES OF CONSUMER ORGANISATIONS

In India, a number of consumer organisations have been set up by NGOs to promote and protect the rights of customers. Some of the consumer organisations include Consumer Guidance Society of India (CGSI), Mumbai, CERC, Ahmedabad, CUTS, Jaipur, CAG, Chennai, VOICE, New Delhi, etc.

The Roles of Consumer Organisations are as follows:

### 1. Creating Consumer Awareness:

The consumer organisations create consumer awareness of their rights. They undertake various campaigns, and organise seminars and workshops in educational institutions and in other organisations to make the consumers aware of their rights. For instance, the consumer organisations make the consumers aware of their rights under the Consumer Protection Act, such as:

- Right to choose the products as per their requirements, preference and purchasing power.
- Right to safety – a customer has a right to be protected against harmful products.
- Right to be Informed – about the basic information about products in respect of price, quality, date of manufacture and the date of expiry, ingredients used in the manufacture, etc.
- Right to be heard – registering their complaints relating to the products.
- Right to redress – the consumer can seek redressal against unfair practices by manufacturers or sellers.
- Right to education – consumers become well informed and conscious of their rights.
- Right to Protect against Unfair Trade Practices adopted by businessmen.
- Right to Protect against Spurious Goods.

### 2. Assistance in Legal Cases:

The consumer organisations assist individual consumers in legal matters, i.e., the procedure to be followed in filing a complaint in the court, legal advice and assistance, etc. Sometimes, a consumer association may file a case on its own if the business actions are likely to affect good number of consumers.

**3. Recommendations to Government:**

Consumer organisations are required to provide recommendations to the Government to frame suitable regulations in the interest of the consumers. The consumer organisation may recommend to the Government to take appropriate measures to overcome unethical practices by the manufacturers and sellers.

**4. Education of Customers:**

Consumer organisations educate and inform the customers about their rights such as the right to choose, to right to safety, right to redress, etc. The education of consumers relating to their rights makes the consumer more responsible. The consumers not only becomes aware of their rights but they also assist others, especially, the illiterate consumers to fight for their rights.

**5. Makes Businessmen Sensitive to Customer Needs:**

Consumer organisations exert pressure on businessmen and makes them more sensitive to consumer needs. A good number of businessmen are compelled to adopt ethical practices as per the provisions of Consumer Protection Act, 1986 (modified from time to time).

**6. Resolving Customer Complaints:**

Consumer organisations put pressure on the dealers to solve the genuine complaints of the customers. Unethical traders may not bother to solve the complaints of ordinary consumers. But due to pressure of consumer protection organisations, the unethical traders are forced to resolve the complaints to the satisfaction of the consumers.

**7. Protection of Environment:**

The consumer organisations play an important role in the protection and preservation of environment. Consumers are aware of certain products having adverse effect on the environment and on the consumers. Seminars and workshops are organised by consumer protection organisations to make the consumers aware of the importance of the environment.

Therefore, the producers and consumers take measures to protect the environment. For instance, firms produce eco-friendly products, and educated and responsible consumers demand such products.

#### **8. Publishing Information:**

Consumer organisation publish information regarding consumer rights. Also important aspects of consumer laws and regulations are published. The published information is useful to the consumers as well as to the manufacturers.

The consumer organisations also publish journals and periodicals to spread knowledge and awareness about various consumer problems, legal remedies available and such other matters.

#### **9. Organising Protests:**

The consumers' organisations play a significant role in eliminating the evils of adulteration, hoarding, black-marketing, and under-weight selling. Also, whenever there is an unnecessary rise in the prices of certain things, the consumers' organisation raise a voice of protest against it.

#### **10. Assisting Educational Institutions:**

The consumer organisations encourage the educational institutions to prepare study courses keeping in view the interests of the consumers. They stress the fact that a special module or topic on consumers' interest should be added to the courses on general study.

#### **11. Product Testing:**

The consumer organisations collect samples of different products and test them to check their quality. After test analysis, the results of the tests are declared to public. Thus, these organisations provide prior information to consumers about the authenticity of product and protect them. Apart from this, these organisations also work in conducting investigation/research on consumer's problems.

## COMPETITIVE STRATEGIES

There is lot of competition at the market place. Competitors need to adopt strategies to survive in the market, and if possible to improve on the market position:

### STRATEGIES FOR MARKET LEADER

A marketer leader enjoys the top position in the market. Examples of market leaders include Maruti Suzuki for popular cars, Amul of GCMMF for Amul butter, Cadbury Dairy Milk of Mondelez International, TCS in software, etc. A market leader needs to adopt certain strategies to remain as leader in the market.

#### 1. Expand the Total Market Strategy:

Market leader can gain when the total market expands. The focus of expanding the total market depends on the product life cycle of the product concerned. This strategy can be used when a product is in the maturity stage. For example, the Japanese increased their car production to enter new countries.

Market leaders can look for new users, new uses, and more usage of its products when the product is in the maturity stage of the product life cycle. For instance, Maruti Suzuki started True Value Car Division – used cars certified by Maruti engineers – to expand their market in the rural and urban markets well. Maruti Suzuki to open 150 standalone True Value outlets by 2018. These outlets are digitally integrated through a portal so that customers can access details of all the cars available at True Value outlets nationwide.

#### 2. Defending Market Share Strategy:

When the leader tries to expand the total market size, it must also continuously defend its current business against enemy attacks. For example, Hero Motor Corp constantly maintains its guard against Bajaj, Honda, Suzuki and TVS in the two-wheeler market. In this strategy, the leader firm must keep its

costs down, and its price must be consistent with the customers' value.

### **There are six ways to defend market share:**

- (i) **Position Defence:** This strategy involves allocating maximum resources into the current successful brands. For instance, Mondelez International allocates more resources for promotion and distribution of its top brand - Cadbury Dairy Milk and so also GCMMF allocates more funds to Amul Butter.
- (ii) **Flanking Defence:** This strategy guards the market position of leading brands and also develops some flank market niches to serve as a defensive corner either to protect a weak front or to establish an invasion base for counterattack, if necessary. In this case, the market leader must undertake product innovation, attractive public campaigns, road shows and public relations.
- (iii) **Pre-emptive Defence:** This strategy involves the launching of an offence against the competitor before the latter starts an offence. For example, Titan launched more brands and sub-brands to corner the market share of HMT watches in the early 1990s. Also Maruti Suzuki keeps on introducing new models of cars to take on the competition.
- (iv) **Counter Offensive Defence:** This strategy identifies a weakness of an attacker and undertakes a counter offence in the attacker's territory. The market leader undertakes aggressive marketing efforts so as to force the competitor to pull back its efforts from the leader's territory. When a leader is attacked, he may base his counterattack in the attacker's territory.

The attacker has to deploy resources to this territory for defence. When Ceat tyres attacked TVS Srichakra in Tamil Nadu markets, TVS decided to expand its coverage to Ceat tyre's hub in the north and west of India through innovative campaigns like road rallies, road shows and attractive public campaigns.

- (v) **Mobile Defence:** This strategy involves the leader broadening and expanding its territories to new market areas by diversifying. For instance, GCMMF has introduced a series of new brands (related to the parent brand - Amul) such as Amul Milk, Amul Chocolates, Amul Lassi, Amul Butter Milk, etc. Such diversification into related areas comes under mobile defence strategies.
- (vi) **Contraction Defence:** This strategy involves retrenching into areas of strength and is often used in later stages of a product life cycle or when the firm has been under considerable attack. For example, HUL decided to concentrate on its core business areas, that is, soaps and detergents, and has emerged as the clear leader in the toilet industry.

### 3. Expanding the Market Share Strategy:

Market leaders can maintain their market position by expanding the market share. The market leaders may be in a position to increase the market share through aggressive marketing-mix strategies:

- Product strategy - innovative products, diversifying in related product areas.
- Pricing strategy - innovative pricing strategies depending upon nature of the customers, product, competition, etc. The market leaders may adopt predatory pricing strategies to drive away new competitors and to create tough times to existing competitors.
- Promotion strategy - adopting aggressive integrated marketing communication by integrating all the elements of promotion-mix.
- Distribution strategy -adopting new channels of distribution, deleting ineffective distribution channels, and by maintaining excellent dealer relationship.

## MARKET CHALLENGER

The market challengers generally occupy the second or third market position behind the market leader. The market challengers adopt marketing strategies to attack the market leader or the immediate competitor (like third place challenger may attack the marketer holding the second place). The intention of the market challengers is to capture a greater market share and even to overtake the leader.

1. **Frontal Attack:** The frontal attack is a direct attack, wherein the market challenger matches with the competitor's product, price, advertising, and promotion activities.

The market challenger can even reduce the price without compromising on the quality, especially in the case of high price products.

For instance, GCMMF (owners of Amul Brand) adopted this strategy when it launched 'Amul Kool' at a low price with the same level of the quality as offered by competitors in the market.

2. **Flank Attack:** A marketer attacks a competitor on its weak points. For instance, the challenger identifies the poor performing areas of the competitor and then push its marketing efforts in that area. Also, the challenger identifies the segments which the competitor has not tapped and then enter in such market segments.
3. **Encirclement Attack:** This attack is a combination of frontal and flank attack. The challenger attacks the market leader or a competitor from all the fronts simultaneously.

This strategy is used by FMCG companies such as P&G, HUL, Dabur, etc. It is also used by soft drinks companies like Coke and Pepsi.

4. **Bypass Attack:** The bypass attack is the indirect attack, wherein the market challenger does not attack the leader directly, but increase its market share by attacking the easier fronts or markets.

The challengers can bypass the leader by expanding into the untapped markets, diversifying into the unrelated products, modifying the existing product, etc.

For instance, Pepsi adopted this strategy when it launched its packaged water brand Aquafina well before the Coca Cola's brand 'Kinley'.

5. **Guerrilla Warfare:** The Guerrilla warfare is the intermittent attacks imposed by the challenger to demoralize the competitor by adopting both the conventional and unconventional means of attack.

For instance, Pepsi and Coca-Cola follow this strategy aggressively with the intention to harass each other. When Coca-Cola was the official partner of the world cup, Pepsi counter-attacked it by using the punch line "Nothing official about it".

## **MARKET FOLLOWER**

'Market Follower strategy' is a strategy of product imitation. The innovator bears the expense of developing the new product, bringing in the technology, breaking entry barriers and educating the market. However, another firm can come along and copy or improve on the new product.

The four follower strategies are as given below:

1. **Counterfeiter:** Copies the leader's product and packages and sells it in the black market. E.g. Pirated music/ movie CDs
2. **Cloner:** Copies the leader's product features as it is. He also copies the brand name, packaging with slight variations.
3. **Imitator:** Copies some of the things from leader's product but maintains difference in packaging, and other factors.
4. **Adaptor:** Launches improved products over that of the innovator's.

## NICHE MARKETER

A niche market is a small market segment. Normally, small firms enter in niche markets, because the niche segment may be so small that the larger firms may not have the desire to cater such segments. However, there are large and reputed firms that undertake niche marketing, which include Rolls Royce, Rolex Watches and others.

### Advantages of Niche Marketing :

#### 1. Less Investment :

The niche marketer requires less investment as he has to produce limited goods for the niche market. The niche marketer requires lower investment in production and marketing activities.

#### 2. Less Risks :

There may be less risks as the marketing is done to a very small segment of the market. For example, the risk of loss due to technological changes or changes in fashion may be lower.

#### 3. Higher Profits :

Niche marketing may generate higher profits per unit sold because of lower operating costs in terms of advertising and other expenses. However, it is to be noted that companies also make losses. For instance, Bugatti International that sells Veyron Car - second most expensive in the world - makes losses.

#### 4. Brand Loyalty :

Customers may become brand loyal. The customers may continue to repeat the purchases of the same brand and they may even recommend it to their friends and others.

#### 5. Corporate Image :

The niche marketer can earn name and reputation in the market. For instance, companies like Rolex Watches, Rolls Royce, etc. command a lot of goodwill.

#### 6. Competitive Advantage :

Niche marketers normally face less competition in the market,

as they deal with a specific product for a small segment of the market. Competitors may not like to enter the market due to lower volume of sales.

## 7. Customer Satisfaction:

Niche marketing generates customer satisfaction. This is because, the marketer gets first hand information about customers and accordingly designs the product to meet the expectations of niche customers.

### Specialist Roles open to Niche Marketers :

*Philip Kotler* identifies several specialist roles open to market niches. Some of these are :

1. **Geographic specialist** - Where the nicher sells only in a certain locality or region.
2. **Product specialist** - Where the nicher produces only one product.
3. **Service specialist** - The firm that offers one or more services not available from other firms.
4. **Channel specialist** - The firm specialises in serving only one channel of distribution.
5. **Quality / Price specialist** - The nicher operates at the low or high quality / price market i.e. either high quality - high price market or low quality - low price market.
6. **End - User specialist** - Where the nicher specialises in serving only one type of end use customer.
7. **Specific Customer specialist** - Where the firm sells to one or a few major customers.
8. **Job-shop specialist** - where the nicher produces the products as per the designs ordered by the customers.
9. **Event Specialist:** Certain niche marketers may enter in niche events or services. For instance, a tour operator may enter in eco-tours.

**10. Others:** There are also other types of specialist roles for niche marketers:

- Customer Size Specialist
- Vertical Level Specialist.

## RURAL MARKETING

### Concept

Rural marketing refers to marketing of goods and services in rural areas. The marketers identify rural customers' requirements, and supply goods and services to satisfy them.

About 70% of India's population lives in villages. As of June 2018, India's population is 1.35 billion. About 69% of India's population (over 930 million) lives in over 6.4 lakh villages. This means rural markets offer huge opportunities to marketers.

## FEATURES OF INDIAN RURAL MARKET

The main features of Indian rural markets are as follows:

### 1. Scattered Nature of Indian Markets:

Rural India lives in over 6,40,000 villages. About 10% of India's villages have a population of 5000 plus. 55% of India's villages have a population of 500 or less. This data indicate that the population in rural India is highly scattered. Therefore, it is difficult for the marketers to distribute the products in rural markets.

### 2. Size of Rural Demand:

The size of rural demand is quite large for certain FMCG products like soaps, washing powders, tea, etc. A study conducted by consultancy firm McKinsey states that the rural demand for non-durables will increase from ₹ 160 billion (1

billion = 1000 million) in 2005 to ₹ 860 billion in 2020. Also, the demand for durables like refrigerators, TV sets, and so on is on the rise in rural India. Therefore, there is huge potential for marketers in rural India.

### 3. Consumer Behaviour in Rural Areas:

Most of the consumers in rural areas are price sensitive. The rural customers prefer to buy those brands that give them more value for money. Secondly, most of the rural customers prefer to buy in smaller packs. Therefore, rural marketers come up with small packs such as sachets of shampoo, washing powder, and such other products.

### 4. Comparatively Higher Growth for Certain Products:

Currently, the rural demand is growing faster than urban India. For instance, the urban demand for consumer durables like colour TVs, refrigerators, and so on is growing annually at the rate of less than 10%. However, the rural market is zooming ahead at around 25% per cent annually.

The higher growth rate in rural markets is mainly on account of increase in income level of the rural people. The transfer income has increased the purchasing power of the rural people. Also, the Government schemes like NREGS (National Rural Employment Guarantee Scheme) are partly responsible for increased income levels of the rural people.

### 5. Mode of Payment:

Most of the rural customers prefer to make payment by cash. Even for high priced items like motor-bikes and even for cars, most of the rural customers prefer to make payment in cash. The rural customers may also prefer to buy on instalments, especially the durables like refrigerators, washing machines, television sets, etc. Therefore, the rural marketers must provide the facility of payment on instalment basis, preferably without interest.

### 6. Awareness:

The product awareness is increasing in rural areas. This is due to advertisements in the media, especially television. Rural

people are exposed to ads of cosmetics, toiletries, beverages, and so on. The awareness has resulted in increased demand for consumer non-durables and for durables.

### 7. Rural Income:

The rise in rural demand is mainly on account of increase in rural income. About 50% of the workforce in India works in agriculture. Therefore, a major part of rural income comes from the agriculture sector.

The rural people also get transfer income from the family members working in cities and abroad.

The Government of India has introduced employment schemes like MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) for poor people in rural areas. The Govt has allocated lot of money for MGNREGA. For instance, in the Budget 2018, the Govt of India has allocated ₹ 55,000 crore for this scheme.

**8. Opinion Leaders:** Opinion leaders play a key role in influencing the sale of products in rural markets. The rural consumers depend on the opinion leaders who introduce the product to them by using and recommending it. Nowadays educated youth of rural also influences the rural consumers.

**9. Lifestyles:** Consumer lifestyles in rural India have undergone a change. There is a growing shift from traditional to modern outlook. A good number of rural consumers are influenced by the urban life-style. The TV media exposure and increase in literacy are largely responsible for the changing lifestyles of rural consumers. The shift from traditional lifestyles to modern lifestyles creates a good potential for marketers of consumer goods.

**10. Literacy Level :** The rural demand is influenced by the increase in literacy level. As per the 2011 census, the all India literacy rate has gone up to 74% of the total population. It is estimated that about 65 to 70% of the rural population is literate. The increase in literacy rates has solved (to a certain extent) the problem of marketing communication with the target audience in the rural areas.

## STRATEGIES FOR EFFECTIVE RURAL MARKETING

Marketers need to adopt certain strategies to overcome the problems of rural marketing and to undertake effective rural marketing activities. Some of the strategies for effective rural marketing are:

### 1. Distribution Strategy:

- (a) **Delivery Vans :** Marketers may have their own delivery vans to supply the products in time in the rural markets. The exterior of delivery vans can be used for advertising the firm's products. The marketers may also hire the delivery vans from local transport vendors.
- (b) **Syndicated Distribution:** The companies which are operating in a particular rural area can jointly share the expenses of hiring or owning delivery vans. This will reduce the distribution costs and at the same time provide timely delivery at the retail outlets.

### 2. Communication Strategy:

The marketing communication can reach to the rural people through advertisements, publicity campaigns, participation in fairs and exhibitions, sponsorships of local events, and so on. Opinion leaders may be provided with free samples so that they may use the same and recommend the product or brand to the villagers.

### 3. Sales Force Management:

The salesforce must be trained to face the challenges of rural marketing. Training must be undertaken not only to develop selling skills, but also to develop a favourable attitude towards the rural markets.

The sales force in rural areas must be adequately rewarded in terms of monetary and non-monetary incentives.

#### **4. Warehousing Strategy:**

The State Warehousing Corporations should pay attention in providing suitable warehouses in rural areas. At present the SWCs concentrate their warehousing activities only at major markets. There is an urgent need to have good warehousing facilities, either to be provided by the government or by the companies. Companies operating in a particular area can have common warehouses.

#### **5. Sales Promotion Strategy:**

The marketers need to come up with innovative sales promotion techniques:

- They may have a tie-up with local banks to provide credit to the villagers to buy durables.
- The marketers may also sell the products on instalment basis with zero interest.
- Special discounts may be offered on the eve of important local festival to induce the village customers to buy the firm's products.
- Free samples may also be distributed to certain customers for trial purpose.
- Free gifts may be offered to boost up sales.

#### **6. Village Cooperative Strategy:**

Firms can make efforts to set up village cooperatives. For instance, local leaders may be encouraged to set up village cooperates. The village cooperatives can directly purchase the goods from main distributors, thereby, avoiding the retailers. As such, the cooperatives can sell the goods at lower prices to their members.

#### **7. Media Strategy:**

- (a) **Interpersonal Media:** Interpersonal media have a special advantage in rural marketing in the sense that it facilitates two way communication and interaction. In fact rural consumers may prefer to have face to face communication

rather than indirect advertising media. The interpersonal media can be conducted in the following manner:

- Group meetings of customers and salesforce.
  - Information/service centers.
  - Live demonstrations about the product.
  - House-to-house promotion campaigns.
- (b) **Media Mix:** Rural markets need hard-sell advertising. The rural marketers can make use of the following media apart from the organised media:
- Hoardings at Market Places.
  - Van Publicity.
  - Village Melas.
  - Drama Troupes.
  - Lottery / Bus Tickets.
  - POP Advertising.
  - Puppet shows.
  - Sponsorship of local events.

## 8. Product Strategy:

Firms may design the products specifically to meet the needs of the villagers. For instance, firms producing motor-bikes need to design sturdy bikes for rural roads. In the case of non-durables like washing powders, shampoos, etc., the marketer may come up small packets or sachets to induce the rural people to buy the products.

## 9. Pricing Strategy:

Rural customers are price sensitive. Therefore, the marketer needs to adopt penetration pricing strategy. Under this strategy, the marketer charges lower price for the products. The purpose of this strategy is to gain larger market share.

## 10. Packaging Strategy:

A marketer need not spend more on packaging. Attractive packaging with good packaging material costs more, and therefore, the marketer may have to increase the price of the products. However, since the rural customers are price sensitive, marketers may design suitable packaging of a lower cost, so that the price charged to the rural customers is not high.

# DIGITAL MARKETING

## Concept and Forms

The term '*digital marketing*' was first used in the 1990s. In the 21st century, the term '*digital marketing*' became more sophisticated and popular in developed countries, and also in emerging and developing countries.

Digital marketing makes use of electronic devices such as computers, tablets, smartphones, cellphones, digital billboards, and game consoles to engage with consumers and other business partners.

## Forms of Digital Marketing

Internet Marketing is a major component of digital marketing. Therefore, digital marketing is often referred to as '*online marketing*' or '*internet marketing*'. Apart from internet marketing, there are other forms of digital marketing which includes social media marketing, viral marketing, telemarketing, and mobile marketing.

### 1. Internet Marketing:

Internet marketing refers to marketing of goods and services with the use of internet. It is also referred to as on-line marketing or e-marketing.

The main *components* of internet marketing are:

- B2B (business-to-business) marketing

- B2C (business-to-customers) marketing
- C2C (customer-to-customer) marketing
- C2B (Customer-to-business) marketing, etc

The main **advantages** to the marketers include:

- The marketer can reach to *global buyers*.
- The marketer can undertake *audience sizing*.
- The e-marketer requires *lower investment*.
- There are *lower operating costs*.

## 2. Social Media Marketing:

It refers to marketing through social media networks such as *Whatsapp, Twitter, Facebook, Google Plus, LinkedIn*, and so on.

Under social media marketing, marketers create content such as event marketing, launching of product, special offers, and the like. The programme content is then uploaded on the social networking sites.

## 3. Viral Marketing:

Viral marketing refers to a marketing strategy that focuses on spreading information and opinions about a product or service from person to person, especially through internet or social media news.

Viral marketing encourages individuals to pass on a marketing message to others. Like viruses, viral marketing takes advantage of rapid multiplication to explode the message to thousands, and even to millions.

## 4. Telemarketing:

Telemarketing is the act of marketing goods or services to potential customers over the telephone. It is a form of direct marketing. The marketer uses telecom and call centres to attract prospects and to sell to existing customers.

There are two main forms of telemarketing:

- (a) **Inbound Telemarketing** - Generally companies provide a toll free number so as to *receive calls* from customers to order products. Receiving calls can be done in-house or it can be outsourced to a call centre.
- (b) **Outbound Telemarketing** - Companies may directly or use call centres to *contact prospects and existing customers*. The customers may be induced to place orders.

## 5. Mobile Marketing:

Mobile marketing enables business firms to send SMS to several prospective customers at a time. The mobile marketing firms can directly contact the prospective customers through the cell phones.

In India, the number of mobile subscribers was 1.1 billion as of December 2016. The number of mobile internet subscribers in India was 456 million in December 2017 and expected to increase to 478 million in June 2018.

## Trends in Digital Marketing

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Digital marketing has witnessed several trends in the past few years and some trends are likely to be witnessed in 2018 and further.

### 1. Artificial Intelligence (AI):

AI is likely to revolutionize the digital marketing space. AI is the major development since the Internet. AI will influence what people do in their jobs. By leaving the most time-consuming and logic-based jobs to AI, marketers can focus their time on creative thinking and ensure that AI efforts are aligned with strategic goals.

The trends in AI would be:

- Adoption of AI as a service. AI-based products are built into more and more vendor applications and there are plenty of open source libraries to use.

- Changing marketing from one-way communication to a customer dialogue as a result of AI language processing (like chatbots) allowing people to do this with less effort.

The evolution of artificial intelligence is now in full swing and chatbots are only a faint splash on a huge wave of progress.

Online chatbots save time and efforts by automating customer support. Gartner forecasts that by 2020, over 85% of customer interactions will be handled without a human. However, the opportunities provided by chatbot systems go far beyond giving responses to customers' inquiries. They are also used for other business tasks, like collecting information about users, helping to organize meetings and reducing overhead costs. There is no wonder that size of the chatbot market is growing exponentially.

## 2. Customer Experience (CE):

In 2018 and beyond, leading marketers will make efforts to optimize their CE through personalized content and with new way of operating content. CE would involve continuous dialogue with the customer over a period of time, which cannot be done in a month or so. Also, a marketer cannot deliver CE by simply addressing a receiver with his or her first name.

CE can be generated by continuously updating the customer with new offers and modifying the existing offers so as to influence the buying decision making of the customer. If a customer is already buying the marketer's product, then continuous updating through digital means would establish good relationship with the customer.

## 3. Multichannel Marketing:

There is a shift in thinking on the part of professional firms. They are shifting their focus on digital channels to a focus on audiences. In practice this means that instead of communicating through different channels, leading companies are increasingly building audiences and engaging with them across channels.

This change has been largely enabled by the increasing sophistication of marketing and advertising technologies. For

example, through the development of data management platforms, marketers build customer journeys across their own media like email and bought media such as display advertising on the internet.

#### 4. Social Media Analytics:

Social media analytics are getting more powerful, precise and easier to use. **Social media analytics** (SMA) refers to the approach of collecting **data** from **social media** sites and blogs and evaluating that **data** to make business decisions. This process goes beyond the usual monitoring or a basic **analysis** of retweets or likes of a post, to develop an in-depth idea of the consumer behaviour.

Marketers are going beyond engagement rate because they are in desperate need of tools for measuring the quality of content and to measure the most important indicator – Return on Investment (ROI).

**Social media**, like other channels, has to prove its **ROI**. But beyond proving the impact on the organization, measuring and tracking **ROI** enables marketers to dedicate more time and resources into what's working, and improve the tactics that aren't delivering value.

Instead of measuring single indicators of engagement like clicks or likes, marketers should go further and focus on tracking the whole customer path on its multiple channels. Rather than merely looking at the number of shares on a particular post, marketers should find out how many leads or purchases the post actually generated.

#### 5. Augmented Reality (AR):

The success of **Pokémon Go** (gaming brand) has proved that consumers are ready for AR and may be even for VR (Virtual Reality) technology. AR and VR technology will no longer be used only for gaming but also for marketing of brands through the digital platform. More brands are likely to come out with AR.

AR is an enhanced version of *reality* where live direct or indirect views of physical real world environments are *augmented* with superimposed computer-generated images over a user's view of the real-world, thus enhancing one's current perception of *reality*. For example, the video game of Pokémon Go.

## 6. Growing Importance of Videos:

Videos have become a major part of the digital world. With Facebook testing video monetisation like YouTube, it is clear that the trend will continue. Subscription video platforms such as Netflix, Amazon Prime, Voot, etc have also witnessed an increase in viewership. All brands are adopting video ads, video storytelling, collaborating with video influencers (celebrities). Therefore, marketers must update themselves with video creation skills to gain competitive advantage in the market.

In many surveys, consumers state that they prefer video over text. Video helps to tell more compelling stories, gets your point across faster and can improve sales.

## 7. Personal Branding by Celebrities on Social Media:

Celebrities like Shilpa Shetty, Malaika Arora and others have started their YouTube channels. Many others may join this trend. These channels are either in collaboration with media houses, or on an individual basis. The personal brand helps the celebrities to launch clothing brands, cosmetics, etc.

## 8. Story-telling:

Nowadays, it is becoming difficult to sell without a story. That trend will grow in coming years, and we could see more Behind the Scenes (BTS) by big brands. As a marketer it would be effective to state candid (frank or truthful) facts about the brand, along with call to action (CTA) posts.

Recently a mother of a left-handed four-year-old wrote on social media about the plight of the children to use the pencil sharpeners that are mostly made for right-handed children. The Group Marketing Manager of Hindustan Pencils (makers of Nataj Pencils) responded with a letter, and five specially-

designed sharpeners were sent to the lady's home. Coming closer to a user, knowing their stories, and telling your own, will bound to grow in the coming years.

## GREEN MARKETING

### Concept

The concept of green marketing has come into existence in response to the growing concern over environmental degradation. The deterioration of the ecology is a major global concern. There is growing concern about the *greenhouse gases* in the environment due to the burning of fossil fuels, about the depletion of ozone layer due to certain chemicals and global warming. Environmentalists in India and abroad are voicing their concern and are campaigning against pollution causing industries.

According to American Marketing Association "*Green marketing is the marketing of products that are presumed to be environmentally safe*".

Green marketing consists of environment-friendly business activities. Any marketing activity of the firm that is intended to create a positive impact or to lessen the negative impact of a product on the environment can be treated as '*Green Marketing*'.

### **Scope of Green Marketing**

Green marketing is not just selling products based on their environmental benefits, but it is a wider concept. Green marketing involves developing products and packages that are environment friendly or less harmful to the environment.

*Green marketing includes many areas ranging from conservation of environment to control of pollution.* Companies should make every possible effort to undertake research and development in order to come up with eco-friendly products in the interest of the consumers well being in particular and that of society in general.

## Green Marketing Campaign

Firms that adopt the concept of green marketing should highlight the same in their promotion campaigns. They should make people aware of the benefits of eco-friendly products. They should also highlight the fact that they invest a good amount of money in R&D to design eco-friendly products. Promotion themes must be developed such as "Creates better environment for present and future generations."

## Contribution to the Growth of Green Marketing

As a firm, the several ways in which contribution can be made towards the growth of green marketing are as follows:

- Undertake R&D to develop eco-friendly products.
- Adopt effective anti-pollution measures.
- Recycling of waste products.
- Encouraging people to demand eco-friendly products through aggressive publicity and advertising campaigns.
- Inviting suggestions from employees, customers and others towards the development of eco-friendly products and rewarding valuable suggestions.
- Educating the people of the benefits of eco-friendly products.

## Concerns about Green Marketing

Some of the concerns that exist even today include:

- Deceptive advertising.
- False safety claims.
- High prices for eco-friendly products.

As a good corporate citizen, firms should not undertake deceptive advertising to mislead the people, especially when they do not produce eco-friendly products.

Ethical firms should bring to the notice of Government authorities regarding false claims by some unethical producers. They may also influence media to carry news reports against such false claims.

As far as prices are concerned, companies producing eco-friendly products should not charge exorbitantly. They may try to recover their costs of R&D connected with the development of such products over a long-term of two to three years rather than within a short period of less than one year.

## **Importance of Green Marketing**

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Green marketing is beneficial to the society as well as to the organisation that undertake green marketing activities. The importance of green marketing is stated as follows:

1. **Protection of Environment:** Green marketing helps to conserve and protect the environment from degradation. For instance, green marketing firms invest heavily in R&D to develop eco-friendly products. The eco-friendly products help to conserve the environment.
2. **Public Health:** Green marketing contributes to the betterment of public health. Green marketing helps to control and reduce pollution, which may improve health of the people. Also, consumption of green goods or eco-friendly products adds to the health of the consumers.
3. **Corporate Image:** Firms that undertake green marketing activities are respected by the members of the society, especially in developed countries. Green marketing activities enhance the corporate image in the minds of various stakeholders such as customers, employees, environmentalists, government authorities and others.
4. **Competitive Advantage:** Firms that produce green goods enjoy competitive advantage in the market, especially in developed nations. Customers in developed countries are concerned about the environment and therefore, they may prefer to buy eco-friendly products.

## 5. Customer Relationship:

A firm can develop good relationship with customers through green marketing efforts. For instance, a firm can encourage to participate in green marketing related activities. For instance, a tea marketer can encourage its consumers to use the waste of used tea leaves as fertilizer for gardening rather than using chemical fertilizers.

A firm can also invite suggestions from the customers to introduce new green initiatives that can be used by firms or to suggest the modifications in the existing green initiatives.

## 6. Education of Customers:

A business firm can educate the customers regarding the green marketing efforts undertaken by it through suitable campaigns. At the same time, a firm must let its customers know why green marketing matters. Otherwise for a significant number of firm's customers, it is a case of "So What?" and the green marketing efforts and campaign may go to waste.

## 7. Responsible Corporate Citizen:

Green marketing makes a company as a responsible corporate citizen. Firms adopting green marketing initiatives follow corporate citizenship behaviour. Therefore, green marketing firms should be genuine. This means a firm should:

- Do what the firm is claiming in its green marketing campaign.
- The firm's policies – production, training, R&D must be consistent with green marketing objectives. For instance, R&D should focus on the development of eco friendly products.

## 8. Consumer Behaviour:

Green marketing influences consumer behaviour. Responsible citizens are concerned about the effects of production and pollution on the environment. Therefore, such responsible customers would prefer to buy the goods from eco-friendly companies. They may also become brand evangelists and

recommend to their friends, neighbours and others to consume eco friendly goods. This will enable the company to expand its business operations.

## CHALLENGES FACED BY MARKETING MANAGERS IN 21<sup>ST</sup> CENTURY

Nowadays, business firms face stiff competition at the market place. Business environment is constantly changing due to growing expectations of customers, changes in competitors' strategies, developments in the field of technology, changes in international environment, etc. As a result, marketing managers have to face growing challenges.

Some of the major challenges before marketing managers in changing business environment are as follows:

### 1. Challenges of Global Markets:

The world has become a global village. Trade barriers are getting dismantled in almost all the major markets of the world. This gives an opportunity to local firms to go global. However, the marketing managers have to face challenges of the global markets:

- (a) Global firms need to achieve *competitiveness* in terms of cost reduction and quality improvement. Firms that focus on R&D can gain competitive advantage in the global markets. Apart from R&D focus, global firms will have to spend heavily in effective training and development, and also on technology upgradation to gain competitive advantage at the market place.
- (b) *Changing demographics* and expectations of global consumers has a direct effect on the nature of market opportunities. In the developed countries, senior citizens have become the most prosperous group in the society with their post-retirement incomes. The ageing population is expected to rise sharply in the developed countries in the next few decades. Even in emerging countries like Brazil, Russia, India and China, the 60+ population is likely to increase sharply by 2050.

The challenge in the 21st century is not only to find products and services which appeal to grey market (60+ old people) but also to design effective marketing communication with these people.

- (c) Understanding *local culture* is one of the biggest challenges for global marketers. For instance, if an Indian company is looking to expand in European markets for the first time, not only will that company face language barriers, but also social and business customs, protocol and etiquette.

Some trivial matters may be considered as offence in some cultures, such as gifting certain colour of roses. For instance, in Wales and some other European countries, the white rose represents innocence and silence, and is thus placed on the grave of a young child.

- (d) Business executives from different countries can encounter several barriers to effective *business communication* besides language differences. The pace of business negotiations can be different in different countries. For instance, Americans sometimes want to speed up negotiations, whereas in some other countries emphasis is placed on building relationships before a business deal is seriously considered. Executives from some countries may place a higher value on things such as facial expression instead of just the words that are being said.
- (e) Marketing managers of global firms also face the challenge of *marketing communication*.

For instance, humor is often used in commercial messages to get consumers' attention. But what is considered extremely funny in one culture can be perceived as confusing or insulting in another. To produce effective advertising requires more than accurate translation of the message from one language to another. It requires a deep understanding of the culture, customs, morals and even religious views that predominate in that country.

## 2. Challenges of Compressed Product Life Cycle (PLC):

PLC refers to the various phases through which a product passes during its lifetime. The phases include: introduction, growth, maturity and decline.

One of the most dramatic changes in the last decade is the compressed product life cycles. It is estimated in some companies 50% of the sales revenue comes from products launched during the past couple of years. This means that products which were '*cash cows*' in the company's portfolio of products are becoming a thing of the past.

The shrinkage of PLC requires introduction of new brands. If a company does not respond to launch new products, it may soon be wiped out of the market by its competitors.

The solution to the challenge of compressed PLC is that business firms need to undertake product portfolio analysis. A firm can adopt BCG (Boston Consulting Group) Matrix or some other portfolio analysis technique. The BCG Matrix states that products can be classified into four categories – the stars, the question marks, the cash cows and the dogs.

The portfolio analysis may indicate that certain brands/products may be drags on company's top line (sales revenue) and on bottom line (profits). Such brands need to be replaced by the introduction of new brands. At times, the exiting model or brand may be modified and re-launched with a new name.

For instance, car companies such as Suzuki Motors, Toyota Motors, and others launch new models every year to face the challenge of compressed PLC. Even in the case of FMCG companies, new brands are launched every year and the drags are discarded.

## 3. Customer Awareness:

In India, there are thousands of brands of washing powders, biscuits, soaps, soft drinks, and so on. However, consumers are aware of few of the brand names in each product category. This means there is lack of awareness among customers.

Even some of the top brands are not so familiar to urban customers. For instance, Ghari washing powder which was launched in 1987, and after 25 years – in early 2012 it became the top brand of washing powder in India replacing Wheel washing powder of HUL.

The solution to increase consumer awareness of products is to select the right channels to communicate with the target audience so as to increase '*top of mind*' awareness.

- (a) For a low advertising budget marketer, outdoor media and radio can be the best option especially in rural and semi-urban areas of India.
- (b) Especially in rural areas, *product demonstrations*, advertising at village fairs, sponsorship of local events, organising road shows, magic shows, street plays, etc., wherein the brand name and its uses can be highlighted to the audience.
- (c) For urban audience, *digital media* including internet and social media networks can be used to create awareness. The digital media is cost-effective and at times free of cost. *Social media networks* have a multiplier effect. A good story about the product, its special highlights and other aspects can be easily communicated through the company's blog and through social media networks.
- (d) At times, *free samples* may be distributed to prospective customers, especially in areas where there is lack of product awareness. The free samples induce trial of the product and also create product awareness.

#### 4. Challenges of Technology Boom:

Technological changes such as changes in equipments, methods and techniques result in production of new products, and products at lower costs, which in turn open up new marketing opportunities.

The advent of new technologies such as internet, and mobile devices has posed a great challenge to marketing managers of several firms. Certain products have become obsolete, and firms have shut down the operations of such products. For instance, after 244 years of existence, the Encyclopaedia Britannica has gone out of print in May

2012. So also Sony has discontinued its production of Walkman, and there are host of such examples.

The internet users have increased considerably across continents of the world. In India, the number of internet users was 243 million in 2014, the third largest in the world after China and USA. Internet has changed the way of marketing communication. Nowadays, business firms can use internet to reach millions of potential customers globally at a fraction of a cost.

The boom in ICT (information and communications technology) poses a challenge for marketing managers to redesign the communication mix. Rather than focusing on the traditional media of communication, marketing managers need to take advantage of the ICT to reach to the appropriate target audience.

### 5. Emergence of Social Media:

The use of social media has exploded in the last several years. *Friendster*, the first social media site, was launched in 2003. *Myspace*, *Facebook*, *LinkedIn*, *Twitter* and others soon followed.

Social media provides *opportunities* to marketing managers:

- (a) Marketing managers can use social media to introduce and promote new products and services to potential target customers. Social networking sites allow customers to communicate with each other and to share their experiences of the products that they use. A positive experience can lead to brand loyalty and higher sales.
- (b) Social media has revolutionized the style of business-to-customer communications. Traditionally customers were mere listeners to commercial messages. Social media enabled customers to make the firms to listen, and to respond to them. Social media has become the *eWoM*. The customers can speak directly to the business firms.
- (c) Companies that join social media sites are able to create stronger relationships with their customers. The firms can also improve customer service by utilizing social media as they can get instant feedback from the customers.

(d) Social media is highly cost effective. It is an inexpensive mode of advertising because it reaches a large number of people. The firm need not spend large amounts of money on marketing and advertising campaigns, because satisfied customers do the communications job. Customers trust the online peers for their reviews rather than searching for product information.

*(Note: If a general question is asked on challenges before marketing managers for 7½ mark - write about 10 to 15 lines on each of the 5 aspects.)*

## CAREERS IN MARKETING

Various career options are available in the field of marketing. The candidates need to have competent qualifications (such as a MBA degree with specialisation in marketing) and experience to deal with marketing activities of an organisation.

### 1. Advertising Manager:

Large MNCs may appoint advertising manager to liaison with the ad agency. The role of the ad manager would include:

- Holding meetings with the ad agency personnel.
- Providing inputs to the ad agency for effective ad campaign.
- Maintaining client-agency relationship.
- Approval of the ad campaign.
- Attending the presentation on ad pitch.
- Approving (with the help of higher authorities) the ad budget framed by the ad agency.
- Approving the media plan.
- Selection of new ad agency, if so required, etc.

### 2. Public Relations:

PR managers need to manage the perception of the products.

Apart from managing the perception of the products, PR managers manage activities like drafting advocacy speeches, press releases, and handling major crisis. Nowadays, PR managers work as integrated marketing communications consultants. The PR managers need to work in close cooperation with the marketing department.

### **3. Marketing Research:**

Nowadays, marketing research field is gaining importance. Marketing research is a process of systematic gathering, recording, and analysing the data to solve specific marketing problems.

Marketing research is becoming a specialised field. Therefore, there is lot of career opportunities in this field. Candidates with a good neck for research can qualify for the marketing research career.

### **4. Marketing Information Systems:**

Nowadays, large marketing organisations maintain MIS for effective marketing decisions. MIS is wider in scope as compared to marketing research. Personnel involved in MIS should have a good knowledge of the following:

- Internal Records
- Marketing Decision Support Systems.
- Marketing Research
- Marketing Intelligence.

### **5. Sales Promotion Managers:**

Nowadays, sales promotion plays an important role in marketing of goods, especially consumer goods. Therefore, there is good scope for career in sales promotion. The sales promotion involves various activities relating to:

- Coupons and Vouchers
- Banded Products
- Discounts

- Exchange Offers
- Free Samples
- Gifts, etc.

The sales promotion managers need to come up with innovative sales promotion tools so as to induce the customers to place orders or to buy the firm's products.

#### **6. Brand Managers:**

There is a good scope for brand managers especially in MNCs. Brand managers have to build brand image and improve brand equity. Brand image can be developed through various activities such as:

- Creative advertising.
- Innovative sales promotion techniques.
- Experiential marketing techniques.
- Excellent CRM.
- Maintaining good relations with the media for publicity.
- Selecting credible celebrities for endorsing the product.
- Designing creative logos, etc.

The brand managers need to work or collaborate with various sections of the marketing department such as advertising, CRM, sales promotion, etc., so as to build and enhance the brand image of the firm's products.

#### **7. CRM Managers:**

Nowadays, the role of CRM managers is becoming more relevant. CRM involves maintaining and analysing detailed information about important individual customers. The purpose of CRM is to maximise customer loyalty. Therefore, the CRM managers must have a deeper understanding of customer's buying behaviour.

## **8. Product Development Managers:**

The product development managers are responsible for developing new products and for improving or modifying the existing products. The product development manager works in close cooperation with the production department and the marketing department. To develop new and improved products, the product development manager must undertake consumer research and research and development.

## **9. Sales Managers:**

Nowadays, marketing department works in close coordination with the sales department. In small and medium companies, the work of sales department is monitored by the marketing department. The work of the sales would include:

- Obtaining customer leads.
- Obtaining orders from customers.
- Delivery of goods.
- Preparing and analysing sales reports.
- Motivating the sales staff.
- Follow-up of sales, etc.

## **10. After-sale-service Manager:**

After-sale-service plays an important role in marketing, especially in the case of consumer durables and office equipment and machinery. The role of after-sale-manager include:

- Selecting the right after-sale-service staff.
- Training the staff to improve competence and dedication.
- Motivating the staff with incentives.

## **11. Other Careers:**

There are several other careers in marketing such as:

- Logistics Manager.

- Manager in charge of Trade Fairs & Exhibitions.
- Direct Marketing Manager, etc.

## SKILLS REQUIRED FOR EFFECTIVE MARKETING

Almost all managers require skills for effectively undertaking their activities. Marketing personnel also require certain skills for effective marketing of the goods and services.

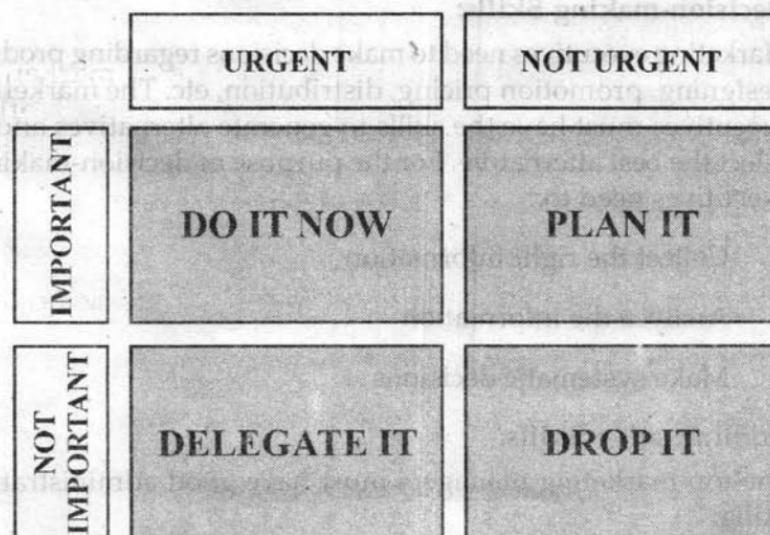
### 1. Marketing Skills:

The marketing personnel should have creative marketing skills to market the products. They should have skills relating to:

- Product design
- Pricing of the product
- Promotion of the product
- Distribution of the part.

Apart from the above skills, they should have good knowledge of marketing research, MIS, consumer behaviour, etc.

### 2. Time Management Skills:



Every professional requires effective time management skills. Time management skills enable the marketing people in timely completion of various tasks, and other related activities.

The marketer must give priority to certain activities depending upon the urgency and importance of the issues or matters:

- What is important and urgent must be given the first priority.
- What is important but not urgent must be planned and executed at a later date.
- What is not important but urgent can be delegated to others.
- What is not important and not urgent can be dropped completely.

### **3. Persuasion and Negotiation Skills:**

The marketer must have a good deal of persuasion and negotiating skills. Persuading refers to convincing effectively to accept what you say or what you offer. The more persuasive you are, the more successful you will be in the field of marketing.

### **4. Decision-making Skills:**

Marketing executives need to make decisions regarding product designing, promotion pricing, distribution, etc. The marketing executives must have the skills to generate alternatives and to select the best alternative. For the purpose of decision-making, executives need to:

- Collect the right information
- Analyse the information
- Make systematic decisions.

### **5. Administrative Skills:**

The top marketing managers must have good administrative skills:

- They must have the skills to frame right *plans and policies*.
- They should be able to *organise resources and direct* the subordinates to implement the various activities.
- They should be able to *coordinate activities* of various departments,
- They must have the skills to *monitor the performance* of the employees, and to take *corrective measures*, if required.

## 6. Leadership Skills:

The marketing managers must be good leaders as well. They should lead by example, and motivate the subordinates. They must have good leadership qualities such as discipline (application and dedication), honesty, punctuality, effective personality and so on. The leaders need to follow the right leadership style depending upon the situation.

## 7. Problem Solving Skills:

Marketing is a complex puzzle, which has no right or wrong answers, but there are many possible solutions to marketing problems. Therefore, marketing people must have right problem solving skills to solve the puzzle and to create and implement effective marketing strategies.

To design effective solutions, the marketing people need to be intelligent, experienced, and up-to-date with latest developments in the field of marketing.

## 8. Stress Resilience Skills:

There are deadlines and work pressures. For instance, the marketing people have to work for long hours even during the weekends. To cope up with stress, one should adopt stress resilience techniques to keep oneself mentally and physically fit to handle deadlines.

**Resilience** is the process of adapting well in the face of adversity, trauma, tragedy, threats or significant sources of **stress**.

Building resilience at work may be the most important thing one should do for long-term career success and personal

happiness. Therefore, one should adopt stress resilience techniques such as *effective time management, use humour to cut through stress* (humour not only helps to overcome stress but it also gives you oxygen), *read spiritual texts* or otherwise whatever you like, do *mental (meditation) or physical exercises*, enjoy the company of *non-toxic people*, and so on.

#### 9. Human Skills:

It refers to *interpersonal* skills. Human skills are required to lead, to communicate, to motivate, to develop team spirit, and most of all to work with people in a team.

#### 10. Communication Skills:

Marketing people, especially, the creative people need good amount of communication skills. They should know:

- What to communicate
- When to communicate
- Whom to communicate
- How to communicate.

For instance, effective communication skills are required to make a presentation for a creative pitch to secure ad account, to draft creative ads so that the ads create 'top of mind' awareness, and so on.

Communication skills also include *listening skills*. Active listening skills are a must for anyone entering in the marketing field. Good listening skills are required to pay attention to the views expressed by the customers, to obtain feedback regarding products offered in the market, etc.

#### 12. Other Skills:

There are several other skills, which are required by marketing executives:

- Presentation skills
- Critical thinking skills

- Team building skills
- Conflict resolving skills, etc.

## FACTORS CONTRIBUTING TO THE SUCCESS OF BRANDS IN INDIA

Some brands are highly successful in India. The successful brands in India include Fevicol, Cadbury Dairy Milk, Amul Butter, Maruti Suzuki, Hero (Motor Corp) TCS, Infosys,

The main factors contributing to the success of brands in India are as follows:

### 1. Unique Selling Proposition:

A successful brand has an USP. The USP can be in terms of special feature of the product, special price of the product, etc. For instance, Big Bazaar has become a big brand in India for its low pricing, especially on Wednesdays. Several customers throng the Big Bazaar outlets on every Wednesday.

Also, Skype has become a big brand in India and throughout the world due to its unique value proposition 'Keeps the World Talking for Free'

Maruti vehicles typically rank among the best in fuel mileage mainly due to the low weight of the body of the car. Fuel efficiency (apart from other features) is the USP of Maruti Suzuki. It offers the lowest TCO – Total Cost of Ownership – both the capital cost, and the parts and servicing cost is low.

### 2. Extensive Distribution Network:

A successful brand has extensive distribution network. For instance, Cadbury's (Mondelez International) brands are available in over a million outlets across India. The distribution network directly covers almost the entire urban population. The company has invested significantly in building such an extensive network.

The Mondelez International uses Information Technology to improve its logistics and distribution competitiveness. Cadbury has improved the distribution quality of its products with the installation of refrigerators at several outlets. This helps in maintaining product quality in summer, when sales usually dip due to the fact that the heat affects product quality and thereby consumption.

### 3. Effective Advertising Campaigns:

The success of a brand can be contributed to its effective advertising campaigns. For instance, the Amul girl (mascot) advertising campaign gives lot of mileage to promote the brand. The brand has been cleverly using the cartoon figure in its longest running ad campaign. Amul ads instill an element of humour into its print ads. The content is liked by the people and results in better customer engagement. This increases the brand recall value for Amul. Hence, the Amul girl advertising campaign is often described as one of the best Indian advertising concepts.

### 4. Innovation:

Continuous innovation brings success to the brands. For instance Fevicol is India's Most Trusted Brand of Adhesives due to its continuous innovation. **Fevicol has become a household name, which is synonymous with adhesives.** The brand has introduced many innovative products which have transformed the way carpentry trade operates in India.

Amul is also innovating constantly, be it launching new products, creative marketing campaigns or challenging traditional societal trends to come up with better ones. In the 1960's, Amul became the first brand in the world to make skimmed milk powder from buffalo milk. Also with its three-tiered cooperative structure, Amul changed from traditional operations to a more cost-efficient and effective structure.

Amul follows a three-tier cooperative structure which consists of a dairy cooperative society at the village level that is affiliated with milk unions at the district level which in turn is federated to a milk federation at the state level. Milk is collected at the

village dairy society, procured and processed at the district milk union and marketed at the state milk federation.

The greatness of this model lies in the fact that Amul was the first company to follow this model, and it was replicated all over the country under Operation Flood in the 1970's. The model ensures that there's efficiency and swiftness in operations.

The Amul model has helped India become the largest milk producer in the world.

#### 5. Diverse Portfolio of Products:

A brand may meet success in the market due to its diverse portfolio of products. For instance, with its diversified product portfolio, Amul has been able to cater to the needs of all the segments. From kids to teenagers, men to women, calorie conscious to health conscious, the company has ensured that it launches products for every segment. Providing value and benefits to its target segment, Amul has been able to build a strong brand association with its customers over the years.

Also, soap manufacturing companies like HUL are catering to different segments of the society with its various brands like Dove, Lifebuoy, Liril, etc.

#### 6. Knowledge of Target Audience:

Considering that branding success is only possible due to the existence of customers; one of the primary aims of a company should be to identify and understand its target audience. Great brands understand the consumer behaviour of the target customers in terms of:

- What they buy
- Why they buy
- When they buy
- How often they buy

- How much they buy
- How they pay for the products (cash or credit), etc.

To market the products well, the brand strategy should be purely aimed towards your target audience. In this way, a company will be able to save time, money, and energy and not wasting resources directed at non-target audience.

## **7. Consistency:**

Brands that fail to be consistent will have poor performance at the marketplace. A company can't expect customers to be loyal when there is lack of consistency in its marketing activities.

For instance, customers are satisfied whenever they go to McDonald's because of its consistent service. You always know that you are going to be satisfied. McDonald's has made a franchise rule that makes every McDonald's outlet comply and create hamburgers in exactly the same way.

## **8. Associate The Brand with Definite Identity:**

To gain success at the market place, the marketer must associate its brand with some definite identity. For example, the brand Nike is associated with sports. Dove is associated with soft skin.

Hero motor bikes is associated with style and fuel efficiency, Maruti Suzuki is associated with low maintenance, etc.

## **9. Unique Brand Slogans:**

A successful brand is always associated with unique brand slogans, or taglines or taglines. For instance, Amul Butter has an unique tagline - Utterly Butterly Delicious. For Pidilite's Fevicol, the tag line is - Wahi **mazboot** jod, paani mein bhi' or Fevicol ka mazboot jod hai Tootega nahi are the best examples of unique slogans that remains on the mind of the target audience.

## **10. Integrated Marketing Communication:**

Companies need to use IMC to make their brands successful. In an integrated marketing campaign, a firm can use advertising to raise awareness of a product and generate leads for the sales force. By communicating the same information in publicity or

press releases and feature articles, a firm reinforces the message of the advertising. One can then use direct mail or email to follow up inquiries from the advertising or press campaigns and provide prospects with more information. To help convert those prospects to customers, a firm can use telemarketing to sell directly.

## 11. Customers Relationship Management:

The success of a brand largely depends on CRM to maximize customer loyalty. There are various techniques of CRM such as:

- Data warehousing and data mining.
- Undertaking satisfaction surveys.
- Providing loyalty incentives to loyal customers.
- Special schemes for priority customers.
- One-to-one marketing, etc.

## 12. After-Sale-Service:

After-sale-service is vital for product's success, especially in the case of consumer durables, office equipment and machinery. Therefore, a company must:

- Select the committed and dedicated after-sale-service staff.
- Train the after-sale-service staff to improve attitude, skills, etc.
- Motivate the after-sale-service staff with proper incentives.

## REASONS FOR FAILURE OF BRANDS IN INDIA

Certain brands fail during the introduction stage, whereas, even the successful brands fail at later stages. Several Indian brands have failed in India such as Nano Car, Gold Spot (Soft Drink) Duke's Lemonade, Ceasefire (Fire Extinguishers), Cadbury Perk Mint, Maggi Dal Atta Noodles, Joy Ice Cream, HMT Watches, etc.

The reasons for brand failure are:

#### **1. Faulty Product Design:**

Quite often a brand fails due to faulty product design. While designing the product, the company may not consider the requirements of the customers, and therefore, the customers may not buy such products.

#### **2. Defective Pricing Strategy:**

At times, the brand failure is due defective pricing strategy. Some firms may charge exorbitantly high price. Price sensitive customers reject products with high price. Since most of the Indians are price sensitive, overpriced products will not sell in the market.

#### **3. Poor Promotion-Mix:**

A company may adopt poor promotion-mix. It may place over emphasis on advertising and limited or no focus on other elements of promotion-mix. Also, there may be no focus on integrated marketing communication. Lack of integrated marketing communication may also result in product failure.

#### **4. Faulty Distribution:**

A company may adopt faulty distribution strategy which may lead to its doom. For instance, Little Johnny – bay products by a small company distributed its products in major parts of the country, instead of focusing on one or two markets at the initial stages. A larger market area led to high working capital needs, and also the company suffered huge credit risks (bad debts). Finally, the company wound up.

#### **5. Ineffective Positioning Strategy:**

At times, poor positioning strategy may lead to brand failure. Companies must come up with effective positioning strategy to create a distinct brand image in the minds of the target audience. However, many brands adopt the so called me-too positioning strategy and fail at the market place.

**6. Lack of CRM:**

CRM is a must for the success and survival of the firms and brands in the market. CRM is required for maximizing customer loyalty. However, a company which fails to adopt CRM techniques will lead to failure of its brands.

**7. Poor After-sale-service:**

Good after-sale-service is required for the success of a brand. When a company does not place focus on after-sale-service, customers will not favour such brands. Therefore, brands with poor after-sale-service will definitely fail at the market place due to poor brand image.

**8. Poor Handling of Customer Complaints:**

Customer complaints must be handled effectively to the satisfaction of the customers. However, several firms do not handle customer complaints properly and many times, unprofessional firms do not pay any attention to customer complaints. Therefore, the brands of such companies fail at the market place.

**9. Poor Distribution Network:**

Poor distribution network is one of the reasons for failure of the brands in the market. On account of poor distribution network, customers may not get the products on time or they may not get at all. In such a case, customers will switch over to competitors brands.

**10. Higher Maintenance Costs:**

Some brands may require higher maintenance costs. Such brands may not earn goodwill in the market. This means customers will not prefer brands that require high maintenance costs. As a result, companies will have to withdraw such brands in the market.

**11. Other Reasons for Failure:**

- Changes in technology, thereby, making a product/brand redundant.

- Competitors may introduce better and innovative brand in the market.
- Problems in operating the product/brand.
- Defects in the product features, etc.

## REVIEW QUESTIONS

1. What is ethics in marketing? Explain unethical practices adopted by marketers.
2. Explain the general roles of consumer organizations.
3. Discuss the competitive strategies for market leader, market challenger, market follower and niche marketer.
4. What is rural market? Discuss the features of rural markets in India.
5. Explain the strategies for effective rural marketing.
6. What is digital marketing? Explain the trends in digital marketing.
7. What is green marketing? Explain the importance of green marketing.
8. Discuss the challenges faced by marketing managers in 21<sup>st</sup> century.
9. Explain the career options in marketing.
10. Explain the skills required for effective marketing.
11. Discuss with examples the factors responsible for success of brands in India.
12. Explain the reasons for failure of brands in India with suitable examples.

## OBJECTIVE QUESTIONS

**(A) State whether the following statements are true or false:**

1. Business firms need to adopt ethical practices only in some elements of marketing-mix.
2. Customers have the right to get proper information of the product only through some information modes.
3. Dramatization to children regarding consumption of products is highly ethical.
4. Consumer organizations play only the role of creating consumer awareness.
5. Market leaders undertake only position defense strategy to defend the market share.

6. Bypass attack is the direct attack on the leader by the market challenger.
7. The niche marketer markets its products in wider market area.
8. The counterfeiter sells easily the leader's product in the open market.
9. India's rural population lives in 6000 villages.
10. Majority of Indian villages have a population over 1000 people.

**Hint:** All Statements are false.

**(B) Fill in the blanks with the correct option given in the bracket:**

1. The word ethics is derived from \_\_\_\_\_ word 'Ethos'.  
(Greek, German, Latin)
2. Ethics is a branch of \_\_\_\_\_. (philosophy, psychology, sociology)
3. Harmful products like cigarettes are promoted through \_\_\_\_\_ ads.  
(surrogate, advocacy, social)
4. \_\_\_\_\_ pricing helps to wipe out competition from the market.  
(Predatory, Differential, Premium)
5. \_\_\_\_\_ is a consumer organization in India.  
(CGSI, AAAI, ASI)
6. \_\_\_\_\_ organization assists the consumers in legal matters.  
(Consumer, Social, Political)
7. \_\_\_\_\_ brand is marketed by Mondelez International.  
(Cadbury Dairy Milk, Mercedes, McDonald.)
8. \_\_\_\_\_ defense strategy involves launching of an offence against the competitor before the latter starts an offence.  
(Pre-emptive, Flanking, Position)
9. \_\_\_\_\_ attack is a combination of frontal and flank attack.  
(Encirclement, Flank, Frontal)
10. Cloner Strategy is followed by market \_\_\_\_\_.  
(Follower, leader, challenger)

**Hint:** The first option is the correct option.

# GUIDELINES TO ANSWER - COMMERCE - V PAPER

*The paper is of 100 marks to be answered in 3 hours.*

- For objective questions such as True or False, Fill in the Blanks, you can write only the answers in proper sequence without copying the given statements. This will save your time, university stationery and it is also convenient to the professors to assess your answers.
- In the case of Match the Columns – both the groups must be shown with the words and not shown as 1-f, 2-c, 3-d and so on.
- For 7 to 8 marks questions write meaning and explain 7 to 8 points.
- Explanation to each point may be in about 5 to 7 lines.
- Preferably keep one line blank after each point's explanation for good presentation and for the convenience of the examiners to assess your answers.
- *The point's heading must be underlined.*
- *Use only ball point pen preferably with blank ink.*
- The question number must be clearly stated such as 1 (a), 1 (b) or 2 (a), 2 (b). This becomes easier for the examiners to assess your paper.
- Preferably write the question topic or the question at the start of the answer.
- Answer booklets with illegible handwriting may not be assessed, and the examiners can mark the answer with Zero.
- Make your presentation attractive with good quality ink. Avoid unnecessary cancellations and big handwriting to increase the number of pages. Examiners may get irritated with poor quality of presentation and bluffing.
- Contact your professors for further clarifications and guidance.

# MODEL QUESTION PAPER

Marks: 100

Time: 3 Hours

**Q.1 (A) State whether the following statements are true or false : (any 10) 10**

1. When product performance is below customers' expectations, the customers are delighted.
2. Market penetration refers to entry of business firms in new markets.
3. Internet marketing is the marketing of goods through telephone.
4. Marketing mix is not influenced by environmental factors.
5. Marketing mix is a static concept.
6. The variables in marketing mix are independent of each other.
7. Channels of distribution create only place utility.
8. A firm may select direct channel when the customers are large and are geographically dispersed.
9. Direct channel of distribution is a contemporary form of distribution channel.
10. Business firms need to adopt ethical practices only in some elements of marketing-mix.
11. Customers have the right to get proper information of the product only through some information modes.
12. Dramatization to children regarding consumption of products is highly ethical.

**Q.1 (B) Fill in the blanks by selecting the appropriate option given in the brackets : (any 10) 10**

1. When product performance is more than customer expectations, it results in \_\_\_\_\_.  
(customer delight, customer satisfaction, customer dissatisfaction)
2. \_\_\_\_\_ concept of marketing assumes that customers will prefer those products which are aggressively promoted.  
(Selling, Marketing, Societal)
3. \_\_\_\_\_ concept of marketing starts with identifying customer wants and ends up with the satisfaction of those wants.  
(Marketing, Product, Production)

4. The basis of marketing operations is the coordination of four key variables, namely: product, price, place and \_\_\_\_\_.  
(promotion, positioning, publicity)
5. \_\_\_\_\_ refers to set of products which are offered for sale by a firm.  
(Product mix, Product design, Product selling)
6. \_\_\_\_\_ refers to a group of related products that share common characteristics, and channels of distribution.  
(Product line, Product mix, Product Range)
7. \_\_\_\_\_ refers to the extra incentives that the channel intermediaries get to stock and promote the products.  
(Push commission, Pull incentives, Extra Credit Period)
8. The main objective of advertising is to \_\_\_\_\_.  
(create awareness, increase sales, increase profits)
9. \_\_\_\_\_ involves preparing and placing attractive displays of a new product.  
(Merchandising, Salesmanship, Sales Promtion)
10. The word ethics is derived from \_\_\_\_\_ word 'Ethos'.  
(Greek, German, Latin)
11. Ethics is a branch of \_\_\_\_\_. (philosophy, psychology, sociology)
12. Harmful products like cigarettes are promoted through \_\_\_\_\_ ads.  
(surrogate, advocacy, social)

- Q.2 (a) Define marketing. Explain the features of marketing.** 8  
**(b) Distinguish between strategic and traditional marketing.** 7

**OR**

- Q.2 (c) What is CRM? Discuss the techniques of CRM.** 8  
**(d) What is data mining? Explain its importance.** 7
- Q.3 (a) What is marketing mix? Explain the various product decision areas.** 8  
**(b) Explain in brief the different stages of product life cycle.** 7

**OR**

- Q.3 (c) What is product positioning? Discuss strategies of product positioning.** 8

- (d) What is brand equity? Explain the factors influencing brand equity. 7
- Q.4 (a)** What is physical distribution? Explain factors influencing physical distribution. 8
- (b) Discuss the components of supply chain management. 7

**OR**

- Q.4 (c)** What is IMC? Discuss the scope of IMC. 8
- (d) Discuss the skill sets required for effective selling. 7
- Q.5 (a)** What is marketing ethics? Explain some of the unethical practices in marketing. 8
- (b) Explain the general roles of consumer organisations. 7
- Q.5 (c)** Discuss the career options in marketing. 8
- (d) What are the factors contributing to the success of brands in India? 7
- Q.6 (a)** Discuss the process of marketing research. 10
- (b) Explain the challenges faced by marketing managers in the 21<sup>st</sup> century. 10

**OR**

- Q.6 Write short notes on any four:** 20
- (a) Five patterns of market selection
- (b) Five pricing strategies
- (c) Essentials of packaging
- (d) Five emerging trends in selling
- (e) Five traditional marketing channels
- (f) Green marketing