MARKETING MANAGEMENT

BRANCH-M BA (1ST. SEM.)

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MODULE----1

Market

The term "market" originates from the Latin word "Marcatus" which means "a place where business is conducted." A layman regards market as a place where buyers and sellers personally interact and finalize deals.

According to Perrault and McCarthy, market is defined as a group of potential customers with similar needs or wants who are willing to exchange something of value with sellers offering various goods and/or services to satisfy those needs or wants. Of course, some negotiation will be needed. This can be done face-to-face at some physical location (for example, a farmer's market). Or it can be done indirectly through a complex network that links middlemen, buyers and sellers living far apart. Depending upon what is involved, there are different types of markets which deal with products and or services such as:

(1) Consumer Market: In this market the consumers obtain what they need or want for their personal or family consumption. This market can be subdivided into two parts fast moving consumer goods market from where the consumers buy the products like toothpaste, biscuits, facial cream etc. and services like internet, transportation etc. Another is durables market from where; the consumers buy the products of longer life like motorcycles, cars, washing machines etc. and services like insurance cover, fixed deposits in the banks and non-banking financial companies etc.

(2) Industrial/Business Market: In this market, the industrial or business buyers purchase products like raw materials (iron ore, coke, crude oil etc.), components (wind-screen, types, picture tubes, micro-processors etc.), finished products (packaging machine, generators etc.), office supplies (computers, pens, paper etc.) and maintenance and repair items (grease, lubricating oil, broom etc.). Apart from products, now-a-days due to outsourcing the industrial buyers also require a number of services like accounting services, security services, advertising, legal services etc. from the providers of these Services.

(3) Government Market: In most of the countries central/federal, state or local governing bodies are the largest buyers requiring and number of products and services. Government is also the biggest provider of services to the people, especially in a developing country like India where army, railways, post and telegraph etc. services are provided by the Central Government and State Govt.and local municipality provides services like roadways and police and sewage and disposal and water supply respectively.

(4) Global Market: The world is rapidly moving towards borderless society thanks to information revolution and the efforts of WTO to lower the tariff and non-tariff barriers. The product manufacturers and service providers are moving indifferent countries to sustain and increase their sales and profits. Although the global companies from the developed countries are more in number (AT & T, McDonald's, Ford Motors, IBM, Sony, Citi Bank etc.); the companies from developing countries are also making their presence felt in foreign countries (Aditya Vikram Birla Group, Maruti-Suzuki, Infosys, and IRCON etc.). The ultimate winners are the consumers who are getting world class quality products and services at affordable prices.

(5) Non-profit Market: On one hand the society is making progress in every field, on the other hand the number of problems that it is facing are also increasing. Most of the people don't care for these problems due to variety of reasons such as—lack of awareness, lack of time, selfish nature etc. So, in order to fill the void, the non-profit organizations came into being. These organizations support a particular issue or a charity and create awareness among the general public towards these issues and try to obtain financial and non-financial support. For example, there are NGOs who are working towards the conservation of flora and fauna, Narmada Bachao Andolan, Chipko Andolan (to conserve the trees in Himalayan region) etc. These non-profit organizations basically need monetary support from the individuals, institutions and governments to promote a cause or a charity like old age home, free dispensary, free education, home for destitute etc.

These are the major markets which exist in country. These can also be different markets which deals in a particular product or service such as Grain market (anajmandi), vegetable and fruit market (Subzi Mandi), fish market, political market(comprising of political parties and voters) etc. which serve a specific need or want of the consumers and marketers.

Marketing

Numerous definitions were offered for marketing by different authors. Some of the definitions are as follows:

1. Creation and delivery of a higher standard of living.

2. Marketing is the process that seeks to influence voluntary exchange transactions between a customer and a marketer.—William G. Zikmund and Michael d'Amico

3. Marketing is the process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then in turn expanding this demand.—H.L. Hansen.

4. Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected.—Edward W. Cundiff

5. Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or end-users.—American Marketing Association

6. Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. —Philip Kotler

For a managerial definition, marketing has been defined as ―the art of selling products‖ but people are surprised when they hear that the most important part of marketing is not selling. Selling is only the tip of marketing iceberg.

Peter Drucker says it this way that the aim of marketing is to know & understand the customer so well that the product or service fits him & sells itself. All that should be needed is to make the product or the service available.

Thus marketing may be defined as those business functions which are most directly and primarily concerned with three activities

. The recognition of the demand,

. The stimulation of demand

. The satisfaction of demand

Nature of Marketing

1. Marketing is both consumer oriented and competitor oriented.

2. Marketing is a dynamic activity because a number of variables keep changing. For example, marketing environment, customer's requirements, competitors' actions etc. keep changing thereby necessitating the changes in the company's offer. The companies may have to modify product, price, place or promotion due to changes in any of the numerous variables. For example, Indian manufacturer has to improve the quality or reduce the cost to meet the competition from foreign companies.

3. Long term objective of marketing is profit maximization through customer satisfaction. This is so because a satisfied customer will come back again for the same or different need to the company. Apart from this, the satisfied customer is the company's best advertisement because word of mouth communication by the customer has more credibility than any other form of marketing communication.

4. Marketing is an integrated function and all the marketing decisions are linked with each other. One decision will automatically lead to another decision. For example, if a company has decided to launch a product for limited number of customers then its price will be high and that product will be available through exclusive distribution system and the promotion strategy will depend on the media preferred by the target market. So, if a company decides the first step then decisions regarding the remaining steps will follow automatically.

5. Marketing is the core functional area of modern-day organizations and is the driving force behind every organization. Marketing provides the vital input for corporate planning which in turn dictates the plans for other functional areas.

6. Marketing is interlinked with other functional areas of the organization. Marketing people collects the information regarding (customer's requirements and pass it to) the research and development and engineering people who'll turn the customer requirements into the product or service features. The finance and accounts people help in obtaining the money for the development of new product and also help in arriving at the final price decision. The human resource department provides the necessary manpower for carrying out various activities not only in the marketing area but also in the other functional areas.

Importance of Marketing

(A) To the Society

1. It is instrumental in improving the living standards. Marketing continuously identifies the needs and wants satisfying products or services which can propel the people to do an extra to earn money which can be exchanged for the desired products or services. The people are likely to spend the additional income over and above the disposable income on the products or services which helps in minimizing the physical efforts. Thus marketing by indirectly increasing the earning ability will help in improving the standard of living of the customers.

2. Marketing generates gainful employment opportunities both directly and indirectly. Directly, marketing provides employment to the people in various areas like in advertising agency, in the company sales force, in the distributor's sales force, in public relation firms etc. Indirectly, marketing is responsible for selling the offerings of the organization. If the organization's products or services are able to satisfy the customers, then customers will demand organization's products or services again and again, thereby sustaining the production activities. Thus marketing indirectly provides employment in other functional areas like finance, production, research and development, human resource management etc.

3. Marketing helps in stabilizing economic condition in the sense that marketing helps in selling the products or services, which keeps the various organizations functioning and gainful employment is available to the people. With the earnings from the employment, the people will purchase the products and/or services, thus sustaining the demand. This will happen in all the industries, then gainful employment will be available throughout the time period and economy will remain stable, healthy and vibrant.

(B) To the firms/companies

1. Marketing sustains the company by bringing in profits. Marketing is the only activity that brings revenue to the firm, whereas other activities incur expenditure. If the company's products or services satisfy the customer's requirements, then the satisfied customers will keep the company in business by repeat orders and recommending other profitable customers. Thus marketing is the driving force behind a successful company.

2. Marketing is the source of new ideas. New product or service ideas usually come from the research laboratories, employees or from marketplace. It's the marketing people who are in continuous touch with the consumers and marketing intermediaries. Interaction with them helps in identifying strong and weak points of company's product or services as well as competitor's products or services. This interaction can also help in identifying unmet needs or wants of the consumers and the features, consumers are looking into the products or services which can satisfy those unmet needs or wants. Thus marketing can help immensely in identifying new product or service ideas which can help in sustaining the firm's operations. Successful companies are that which identifies customer's requirements early and provides the solution earlier than the competitors.

3. Marketing provides direction for the future course. The marketing-oriented company continuously brings out new product and service ideas which provide the direction for corporate strategic planning for longer time horizon.

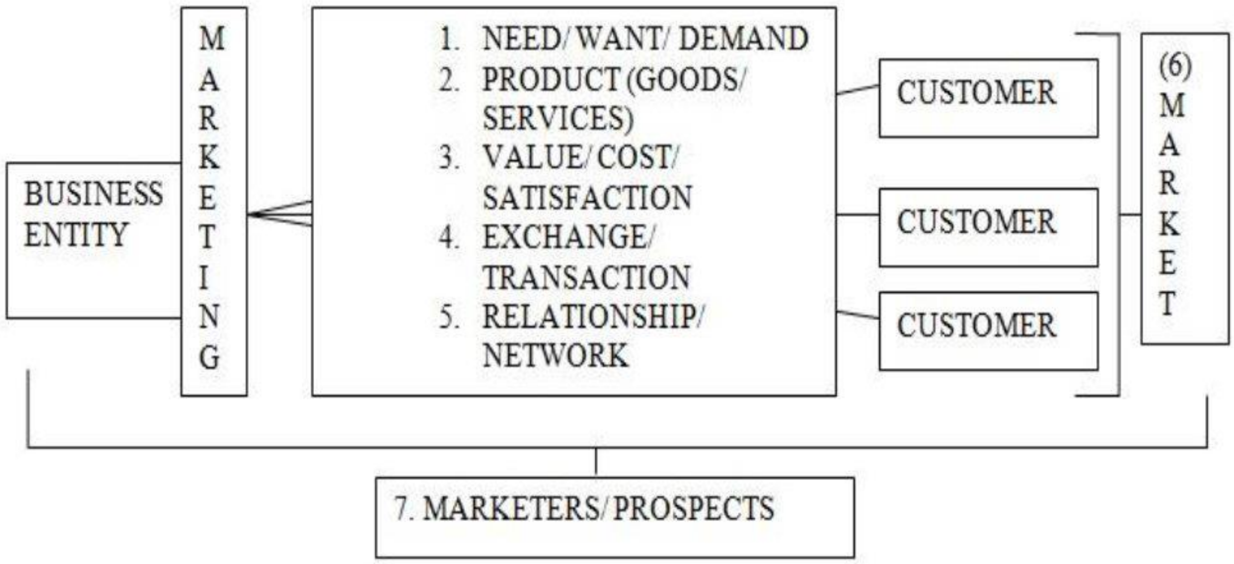
(C) To the Consumers

1. Meeting the unmet needs or wants. Marketing identifies those needs or wants which were not satisfied and helps in developing the product or service which can satisfy those unmet needs or wants of the people. For example, a number of drugs were invented to treat various physical problems of the people. Again, the low cost formulations were developed to treat the people who are unable to afford the expensive drugs.

2. Reducing the price of products or services. Marketing helps in popularizing the product or service which attracts the customers as well as competitors towards that product or service categories. Due to increase in demand, the manufacturing capacity increase which brings down per unit fixed costs of the product or service. Furthermore, increase in competition led to decrease in the prices charged by the firm. Thus, the growing demand and increasing competition both help in bringing down the price of the product or service. For example, price of both mobile phone handset and mobile phone service are showing a continuous downward trend thereby making the mobile phone service affordable to more and more people.

Core Concepts of Marketing

CORE CONCEPTS OF MARKETING:



NEED/ WANT/ DEMAND

Need: It is state of deprivation of some basic satisfaction. e.g. - food, clothing, safety, shelter. Want: Desire for specific satisfier of need. e.g. - Indians needs food – wantspaneer tikka/ tandoori chicken. Americans needs food- wants hamburger/ French fries. Demand: Want for a specific product backed up by ability and willingness to buy.eg. - Need – transportation. Want – Car (say, Mercedes)……but able to buy only Maruti. Therefore, Demand is for Maruti.

PRODUCTS- GOODS/ SERVICES/ PLACE.

Product is anything that can satisfy need/ want. Product components are Physical Good., Service, and Idea.eg. Fast food- burger/ pizza. Physical Good – material. Service –purchase of raw material, Idea – speed of computer/ processing power.

VALUE/ COST/ SATISFACTION:

Decision for purchase made based on value/ cost satisfaction delivered byproduct/ offering. Product fulfills/ satisfies Need/ Want. Value is products capacity to satisfy needs/ wants as per consumer’s perception or estimation. Each product would have a cost/ price elements attached

Satisfaction – Estimated in terms of time lead & travel comfort.

VALUE– Products capacity to satisfy.

COST– Price of each products.

EXCHANGE/ TRANSACTION:

EXCHANGE: – The act/ process of obtaining a desired product from someone by offering something in return. For exchange potential to exist, the following conditions must be fulfilled.

There must be at least two parties.

Each party has something of value for other party.

Each party is capable of communication & delivery

Each party is free to accept/ reject the exchange offer.

Each party believes it is appropriate to deal with the other party.

TRANSACTION: – Event that happens at the end of an exchange. Exchange is a process towards an agreement. When agreement is reached, we say a transaction has taken place.

Barter transaction.

Monetary Transaction.

At least two things of value.

Condition agreed upon.

Time of agreement.

Place of agreement.

May have legal system for compliance.

RELATIONSHIP/ NETWORKING:

Relationship marketing: - It's a pattern of building long term satisfying relationship with customers, suppliers, distributors in order to retain their long term performances and business. Achieved through promise and delivery of, high quality, good service, fair pricing, over a period of time.

MARKETING NETWORK: It is made up of the company and its customers, employees, suppliers, distributors, advertisement agencies, retailers, research &development with whom it has built mutually profitable business relationship. Competition is between whole network for market share and NOT between companies alone.

MARKET:

A market consists of all potential customers sharing particular need/ want who may be willing and able to engage in exchange to satisfy need/ want.

Market Size = fn (Number of people who have need/ want; have resources that interest others, willing or able to offer these resources in exchange for what they want.

MARKETERS/ PROSPECTS: Working with markets to actualize potential exchanges for the purpose of satisfying needs and wants. One party seeks the exchange more actively, called as "Marketer", and the other party is called "Prospect". Prospect is someone whom marketer identifies as potentially willing and able to engage in exchange. Marketer may be seller or buyer. Most of time, marketer is seller. A marketer is a company serving a market in the face of competition. Marketing Management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.

Main concepts of marketing: Studies reveal that different organizations have different perception of marketing and these different perception have led to the formation of different concept of marketing studies also reveal that at least five distinct concept of marketing have guided and still guiding business firms.

1. Production Concept

2. Product Concept

3. Selling Concept

4. Marketing Concept

5. Societal Marketing Concept

1. Production Concept: Those companies who believe in this philosophy think that if the goods/services are cheap and they can be made available at many places, there cannot be any problem regarding sale keeping in mind the same philosophy these companies put in all their marketing efforts in reducing the cost of production and strengthening their distribution system. In order to reduce the cost of production and to bring it down to the minimum level, these companies indulge in large scale production.

2. Product Concept: Those companies who believe in this philosophy are of the opinion that if the quality of goods or services is of good standard, the customers can be easily attracted. The basis of this thinking is that the customers get attracted towards the products of good quality. On the basis of this philosophy or idea these companies direct their marketing efforts to increasing the quality of their product.

3. Selling Concept: Those companies who believe in this concept think that leaving alone the customers will not help. Instead there is a need to attract the customers towards them. They think that goods are not bought but they have to be sold.

4. Marketing Concept: Those companies who believe in this concept are of the opinion that success can be achieved only through consumer satisfaction. The basis of this thinking is that only those goods/service should be made available which the consumers want or desire and not the things which you can do.

5. Societal Marketing Concept: This concept stresses not only the customer satisfaction but also gives importance to Consumer Welfare/Societal Welfare. This concept is almost a step further than the marketing concept. Under this concept, it is believed that mere satisfaction of the consumers would not help and the welfare of the whole society has to be kept in mind.

Scope of Marketing

Marketing is typically seen as the task of creating, promoting and delivering goods and services to consumers and businesses. In fact, marketing people are involved in marketing 10 types of entities: goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Marketing concepts can be used effectively to market these entities.

1. Goods—Good is defined as something tangible that can be offered to market to satisfy a need or want. Physical goods constitute the bulk of most countries production and marketing effort. In a developing country like India fast moving consumer goods (shampoo, bread, ketchup, cigarettes, newspapers etc.) and consumer durables (television, gas appliances, fans etc.) are produced and consumed in large quantities every year.

2. Services—as economies advance, the share of service in gross domestic product increases. For example, in USA, service jobs account for 79% of all jobs and 74% of GDP. A service can be defined as any performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Services include the work of hotels, airlines, banks, insurance companies, transportation corporations etc. as well as professionals like lawyers, doctors, teachers etc. Many market offerings consist of a variable mix of goods and services. At the pure service end would be psychiatrist listening to a patient or watching movie in a cinema hall; at another level would be the landline or mobile phone call that is supported by a huge investment in plant and equipment; and at a more tangible level would be a fast food establishment where the consumer consume both a good and a service.

3. Experiences—by mixing several services and goods, one can create stage and market experiences. For example water parks, zoos, museums etc. provide the experiences which are not the part of routine life. There is a market for different experiences such as climbing Mount

Everest or Kanchenjunga, travelling in Palace on Wheels, river rafting, a trip to Moon, travelling in Trans Siberian Railways across five time zones etc.

4. Events—Marketers promote time–based, theme-based or special events such as Olympics, company anniversaries, sports events (Samsung Cup—India Pakistan Cricket Series), artistic performances (Lata Mangeshkar live concert, Jagjit Singh live concert), trade shows (International Book Fair at Pragati Maidan, Automobile fair), award ceremonies (Film fare awards, Screen awards), beauty contests (Miss World, Miss Universe, Miss India, Miss Chandigarh), model hunts (Glad rags Mega Model). There is a whole profession of event planners who work out the details of an event and stage it. In India event management companies are growing and in case of organizing Miss World at Bangalore and World Cricket Cup (Hero Cup) they won the acclaim from all over the world. Our Election Commission Organizes biggest event in the world—Elections for upper house in the largest democracy in the world. Other notable example is organizing of Ardh Kumbh and Maha Kumbh at Hardwar, Ujjain, and Nasik etc. during different years.

5. Persons—Celebrity marketing has become a major business. Years ago, someone seeking fame would hire a press agent to plant stories in newspapers and magazines. Today most of cricket players like Sachin Tendulkar, Saurav Ganguly, and Rahul Dravid etc. are drawing help from celebrity marketers to get the maximum benefit. Even Star plus TV channel focused more on Amitabh Bachhan to promote their programme Kaun Banega Crorepati and this programme turned around fortunes of both Star Plus and Amitabh Bachhan. Even in the 14th Lok Sabha election BJP'selection strategy revolves around Mr. Atal Bihari Vajpayee, that's power of personality. Mr. Shiv Khera is busy in building his business empire and is busy telling others how to achieve this or that through books and lectures.

6. Places—Places–cities, states, regions and whole nations—compete actively to attract tourists, factories, company headquarters and new residents. India and China are competing actively to attract foreign companies to make their production hub. Cities like Bangalore, Hyderabad and Gurgaon are promoted as centre for development of software. Bangalore is regarded as software capital of India and Hyderabad is emerging as the hub of biotechnology industry. Gurgaon and Noida are competing for call centers to open their offices. Kerala, Himachal Pradesh, Uttaranchal Pradesh and Rajasthan and aggressively promoting themselves to attract local as well as foreign tourists. Due to its cost effectiveness and competitive ability of Indian doctors coupled with ancient therapies, India is fast emerging as country that can provide excellent medical treatment at minimum costs. If developed properly, Bihar has strong potential to emerge as ultimate destination for Buddhists.

7. Properties—Properties are intangible rights of ownership of either real property (real estate) or financial property (share and debt. instruments). Properties are bought and sold, and this requires marketing effort. Property dealers in India work for property owners or seekers to sell or buy plots, residential or commercial real estate. In India some builders like Ansal, Sahara Group, both build and market their residential and commercial real estates. Brokers and sub-brokers buy and sell securities on behalf of individual and institutional buyers.

8. Organizations—Organizations actively work to build a strong, favorable image in the mind of their publics. We see ads of Reliance Infocomm which is trying to provide communication at lower rates, Dhirubhai Ambani Entrepreneur programme to promote entrepreneurship among the Indians. Companies can gain immensely by associating themselves with the social causes. Universities and colleges are trying to boost their image to compete successfully for attracting the students by mentioning their NAAC grades in the advertisements and information brochures.

9. Information can be produced and marketed as a product. This is essentially what schools, colleges and universities produce and distribute at a price to parents, students and communities. Encyclopedias and most non-fiction books market information. Magazines such as Fitness and Muscle provide information about staying healthy, Business India, Business Today and Business World provide information about business activities that are taking place in various organizations. Outlook Traveler provides information about various national and international tourist destinations. There are number of magazines which are focused an automobiles, architecture and interior designing, computers, audio system, television programmes etc. which cater to the information needs of the customers. We buy CDs and visit internet sites to obtain information. In fact, production, packaging and distribution of information are one of the society's major industries. More and more companies are using professional research agencies to obtained information they need.

10. Ideas—Film makers, marketing executives and advertising continuously look for a creative spark or an idea that can immortalize them and their work. Idea here means the social cause or an issue that can change the life of many. Narmada Bachao Andolan was triggered to bring the plight of displaced people and to get them justice. Endorsement by Amitabh Bachhan to Pulse Polio Immunization drive and pledge by Aishwarya Rai to donate her eyes after her death gave immense boost to these. Various government and non-government organizations are trying to promote a cause or issue which can directly and indirectly alter the life of many. For example Traffic police urges to not to mix drinks and drive, central and state government urging not to use polyethylene as carrying bag for groceries.

Meaning and functions of Marketing Management

Management Guru Philip Kotler defines Marketing as "marketing management is the analysis, planning, implementation and control of programmes designed to bring about the desired exchanges with target audiences for purpose of personal and mutual gain. It relies heavily on adoption and coordination of the product, price promotion and place for achieving response."

Marketing is the process of satisfying the needs and wants of consumers. Management of of marketing activities is marketing management.

Marketing management has the responsibility to perform many functions in the field of marketing such as planning, organizing, directing, motivating, coordinating and controlling. All these functions aim to achieve the marketing goals.

1. **Marketing Objectives**: Marketing management determines the marketing objectives. The marketing objective may be short-term and long-term and need a clear approach. They need to be coherence with the aims and objectives of the organization.

2. **Planning**: After determining the marketing objectives, the important function is to plan how to achieve these objectives. This includes sales forecasts, marketing program formulation, marketing strategies.

3. **Organization**: A plan once formulated needs implementation. Organizing functions of marketing management includes collection and coordination of required means to implement plan and to achieve pre determined objectives. The organization involves structure of marketing organization, duties, responsibilities and powers of various members of the marketing organization.

4. **Staffing:** Employment of right and able employees is the crucial to success of a marketing plan. The marketing Manager coordinates with Human Resource Manager to be able to hire the employees with desired capabilities.

5. **Coordination**: Coordination refers to harmonious adjustment of the activities of the marketing organization. It involves coordinating among various activities such as forecasting, product planning, product development, transportation, warehousing etc.

6. **Direction:** Direction in marketing management refers to the development of new market, leadership of employees, motivation, inspiration, guidance, and supervision of employees.

7. **Control:** Control refers to the effectiveness with which a marketing plan is implemented. It involves determination of standards, evaluation of actual performance, and adoption of corrective measures.

8. **Analysis and Evaluation**: The marketing management involves the analysis and evaluation of the productivity and performance of the individual employees.

Steps to be taken to implement modern marketing concept

• Define business mission as a sensing, stimulating, serving and satisfying the needs and requirements of the present and potential customers.

• Identify the target market or customer segment for tailoring products and promotional strategies to appeal them directly.

- Define, design and develop products as a set of attributes which a buyer will accept as offering real satisfaction of his requirements.
- Accept research, creativity and innovation as essential ingredient to business success and survival.
- Integrate the aims & approaches of the marketing dept. with those of other depts. Like manufacturing, finance, inventory control and so on.
- Pricing decisions should be based upon the assessment of cost, demand, competition, objectives of the firm and expectations of the customers.
- Select distribution channels in such a manner that the products and services are accessible to the customers with little difficulty and low cost.
- Advertising and other promotional activities should be informative and truthful.
- Adopt non-restrictive and fair trade practices in dealing with the competitors.

Marketing VS Selling

SELLING:

1. Emphasis is on the product
2. Company manufactures the product first
3. Management is sales volume oriented
4. Planning is short-run-oriented in terms of today's products and markets
5. Stresses needs of seller
6. Views business as a good producing process.
7. Emphasis on staying with existing technology and reducing costs
8. Different departments work as in a highly separate water tight compartments
9. Cost determines Price
10. Selling views customer as a last link in business

MARKETING:

1. Emphasis on consumer needs wants

2. Company first determines customers needs and wants and then decides out how to deliver a product to satisfy these wants

3. Management is profit oriented

4. Planning is long-run-oriented in today's products and terms of new products, tomorrow's markets and future growth

5. Stresses needs and wants of buyers

6. Views business as consumer producing process satisfying process

7. Emphasis on innovation on every existing technology and reducing every sphere, on providing better costs value to the customer by adopting a superior technology

8. All departments of the business integrated manner, the sole purpose being generation of consumer satisfaction

9. Consumer determine price, price determines cost

10. Marketing views the customer last link in business as the very purpose of the business

Marketing Mix

Marketing Mix - A mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix. Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

Elements of Marketing Mix

The elements of marketing mix are often called the four P's of marketing.

1. **Product**

Goods manufactured by organizations for the end-users are called products.

Products can be of two types - Tangible Product and Intangible Product (Services)

An individual can see, touch and feel tangible products as compared to intangible products.

A product in a market place is something which a seller sells to the buyers in exchange of money.

2. **Price**

The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa. Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.

3. **Place**

Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets. In a physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.

4. **Promotion**

Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.

Promotion can be through any of the following ways:

- Advertising

Print media, Television, radio are effective ways to entice customers and make them aware of the brand's existence.

Billboards, hoardings, banners installed intelligently at strategic locations like heavy traffic areas, crossings, railway stations, bus stands attract the passing individuals towards a particular brand.

Taglines also increase the recall value of the brand amongst the customers.

- Word of mouth

One satisfied customer brings ten more customers along with him whereas one dis-satisfied customer takes away ten more customers. That's the importance of word of mouth. Positive word of mouth goes a long way in promoting brands amongst the customers.

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

- **People** - The individuals involved in the sale and purchase of products or services come under people.

- **Process** - Process includes the various mechanisms and procedures which help the product to finally reach its target market

- **Physical Evidence** - With the help of physical evidence, a marketer tries to communicate the USP's and benefits of a product to the end users

Four C's of Marketing Mix

Now days, organizations treat their customers like kings. In the current scenario, the four C's has thus replaced the four P's of marketing making it a more customer oriented model. Koichi Shimizu in the year 1973 proposed a four C's classification.

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

Marketing Process

Introduction: The activities of marketers both reflect and shape the world we live in. Every year new products and services are launched and some of them succeed on an unprecedented scale. As in the case of Apple's iPod, iPhone, and also iPad. They all are great inventions and highly successful in market.

Meaning of Marketing Process

The Marketing Process of a company typically involves identifying the viable and potential marketing opportunities in the environment, developing strategies to effective utilize the opportunities, evolving suitable marketing strategies, and supervising the implementation of these marketing efforts.

Marketing process involves ways that value can be created for the customers to satisfy their needs. Marketing process is a continual series of actions and reactions between the customers and the organizations which are making attempt to create value for and satisfy needs of customers. In marketing process the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are taken, plan is implemented, and results are monitored.

Steps in Marketing Process

Following are the steps involved in the Marketing Process:-

Situation Analysis

Marketing Strategy

Marketing Mix Decision

Implementation and Control

1. Situation Analysis: Analysis of situation in which the organization finds itself serves as the basis for identifying opportunities to satisfy unfulfilled customer needs. Situational and environmental analysis is done to identify the marketing opportunities, to understand firms own capabilities, and to understand the environment in which the firm operating.

2. Marketing Strategy: After identifying the marketing opportunities a strategic plan is developed to pursue the identified opportunities.

3. Marketing Mix Decisions: At this step detailed tactical decisions are made for the controllable parameters of the marketing mix. It includes - product development decisions, product pricing decisions, product distribution decisions, and product promotional decisions.

4. Implementation and Control: Finally, the marketing plan is implemented and the results of marketing efforts are monitored to adjust the marketing mix according to the market changes.

MARKETING MYOPIA

Marketing myopia is defined as the situation where the products are considered more than the customers. It is a short sighted approach of marketing which aims to determine company's needs rather than designing a product based on the needs and wants of the consumers. As a result organization remains inadaptable to the changing market requirements, leading to organization failure.

e.g. - Coca-Cola Company focused on its soft drink products and avoided the demands of consumers for coffee and fruit juice. Because of which the business of soft drink was largely affected.

80:20 PRINCIPLES

The 80:20 principles are discovered by the Economist Vilfredo Pareto. His principle in marketing can be applied in the following manner:

1. 80% of profit comes from 20% of customer.
2. 80% of sales come from 20% of advertising.
3. 80% of sales come from 20% of product.
4. 80% of customer complaints comes from 20% of customer

BOTTOM OF THE PYRAMID CONCEPT

The BOP concept—dividing the world into an economic pyramid by keeping the privileged on the top and unprivileged poor at the bottom. Business need to adopt innovative ways of doing business in a market consisting of billions of unprivileged poor consumers.

e.g. - Small pouch of different FMCG item.

Marketing Environment

Entire marketing environment is of two types.

Internal Environment—Refers to the factors prevailing inside the organization. The elements are:

Top management, R&D, Finance and accounting, Company image, Manufacturing, Purchasing

External Environment--- Refers to the environment prevailing outside the organization.

It can be categorized into two parts.

a) Micro Environment---Directly influence the growth of company. The elements are- Suppliers, Market Intermediaries, Customers and Competitors

b) Macro Environment---In- directly influence the growth of company. The elements are- Political factors, Economic factors, Social factors, Technological factors Environmental factor, Technological factors.

Need of analyzing organizational Environment: Environmental analysis is a strategic tool. It is a process to identify all the external and internal elements, which can affect the organization's performance. The analysis entails assessing the level of threat or opportunity the factors might present. These evaluations are later translated into the decision-making process. The analysis helps align strategies with the firm's environment. Our market is facing changes every day. Many new things develop over time and the whole scenario can alter in only a few seconds. There are some factors that are beyond your control. But, you can control a lot of these things. Businesses are greatly influenced by their environment. All the situational factors which determine day to day circumstances impact firms. So, businesses must constantly analyze the trade environment and the market. There are many strategic analysis tools that a firm can use, but some are more common.

The most used detailed analysis of the environment is the PESTLE analysis. This is a bird's eye view of the business conduct. Managers and strategy builders use this analysis to find where their market currently. It also helps foresee where the organization will be in the future.

Political factors

Economic factors

Social factors

Technological factors

Legal factors

Environmental factor

P for Political factors: The political factors take the country's current political situation. It also reads the global political condition's effect on the country and business. When conducting this step, ask questions like "What kind of government leadership is impacting decisions of the firm?" Some political factors that you can study are:

Government policies

Taxes laws and tariff

Stability of government

Entry mode regulations

E for Economic factors: Economic factors involve all the determinants of the economy and its state. These are factors that can conclude the direction in which the economy might move. So, businesses analyze this factor based on the environment. It helps to set up strategies in line with changes. Here listed some determinants you can assess to know how

Economic factors are affecting your business below:

The inflation rate

The interest rate

Disposable income of buyers

Credit accessibility

Unemployment rates

The monetary or fiscal policies

The foreign exchange rate

S for Social factors: Countries vary from each other. Every country has a distinctive mindset. These attitudes have an impact on the businesses. The social factors might ultimately affect the sales of products and services. Some of the social factors you should study are:

The cultural implications

The gender and connected demographics

The social lifestyles

The domestic structures

Educational levels

Distribution of Wealth

T for Technological factors: Technology is advancing continuously. The advancement is greatly influencing businesses. Performing environmental analysis on these factors will help you stay up to date with the changes. Technology alters every minute. This is why companies must stay connected all the time. Firms should integrate when needed.

Technological factors will help you know how the consumers react to various trends. Firms can use these factors for their benefit:

New discoveries

Rate of technological obsolescence

Rate of technological advances

Innovative technological platforms

L for Legal factors: Legislative changes take place from time to time. Many of these changes affect the business environment. If a regulatory body sets up a regulation for industries, for example, that law would impact industries and business in that economy. So, businesses should also analyze the legal developments in respective environments. Here

Mentioned some legal factors you need to be aware of:

Product regulations

Employment regulations

Competitive regulations

Patent infringements

Health and safety regulations

E for Environmental factors: The location influences business trades. Changes in climatic changes can affect the trade. The consumer reactions to particular offering can also be an issue. This most often affects agri-businesses. Some environmental factors you can study are:

Geographical location

The climate and weather

Waste disposal laws

Energy consumption regulation

People's attitude towards the environment

There are many external factors other than the ones mentioned above. None of these factors are independent. They rely on each other. If you are wondering how you can conduct environmental analysis, here are 5 simple steps you could follow:

1. Understand all the environmental factors before moving to the next step.
2. Collect all the relevant information.
3. Identify the opportunities for your organization.
4. Recognize the threats your company faces.
5. The final step is to take action.


POLITICS
• Government type and policy
• Funding, grants and initiatives
ECONOMY
• Inflation and interest rates
• Labour and energy costs
SOCIAL
• Population, education, media
• Lifestyle, fashion, culture
TECHNOLOGY
• Emerging technologies, Web
• Information & communication
LEGAL
• Regulations and standards
• Employment law
ENVIRONMENT
• Weather, green & ethical issues
• Pollution , waste, recycling

MODULE 2

Market Segmentation

Introduction: Market consists of buyers and buyers differ in one or more respects. They may differ in the wants, resources, geographical, location, buying attitudes and buying practices. Any of these variables can be used to segment a market. Each buyer is potentially a separate market because of unique needs and wants.

The division of a market into different homogeneous groups of consumers is known as market segmentation.

For example, Hindustan Unilever (HUL) produces a variety of products for different classes such as Surf Excel for higher class, Rin for middle class and Sunlight/Wheel for the lower class.

Objectives of Marketing Segmentation

The main objective of marketing segmentation or the goals to be achieved through marketing segmentation can be understood through the following points −

To label potential customers

To avail additional privileges for their customers

To acknowledge the convenient place to purchase

To pay additional benefits willingly

To pay proper attention to some precise area

To ensure proper database marketing usage

To acknowledge real competition in the market

To enhance productivity

Importance of Segmentation

To achieve the objectives stated above, one has to clearly know the need of market segmentation in the first place. Following are some points outlining the importance of market segmentation.

It promotes proper selection of target market.

It assists planning and marketing exercises.

It aids the tapping of market.

Marketing effort is made more effective.

It assists in accessing the strength and weakness of the company.

It assists in effective usage of marketing resources.

It balances proper coordination between the customers and the company.

Levels of Market Segmentation

The level of marketing segmentation is dependent on the marketing plan of the marketer and the product attributes. There are four different levels of market segmentation.

Segment marketing

Individual marketing

Niche marketing

Local marketing

Segment Marketing

In segment marketing, we divide the entire marketing into a bunch of customers with respect to some common characteristics. Those common characteristics may be taste, preference, choice etc. Segmenting this market is a very complex process as there are no criteria for the above attributes.

Individual Marketing

In this case, the customers are targeted individually by e-mail, SMS, calls etc. However, in order to make this marketing successful, we have to reduce the degree of heterogeneity.

Niche Marketing

In this type of segmentation, the small markets are targeted taking into consideration customer taste, preference, income and purchasing power.

In this type of market, we have to care for the bargaining power, the discounts, free gift, bonus points, free delivery, lucky coupons and post purchase voucher.

Local Marketing

In this type of segmentation, generally the local markets are targeted. The organizations try to create patriotism in the mind of the customer by following the slogan “See global, use local”. Again they take help of low-cost advertisements, low transportation costs, frequent delivery, speedy services etc.

Marketing segment is determined depending on the targeted consumer groups for particular products.

Patterns of market segmentation:

1. Homogeneous preferences: A market where all consumers have roughly the same preference. We would predict the existing brands would be similar and located in the center of the preferences

2. Clustered preference: The market might reveal district preference cluster, called natural market segments. The first firm in this market has three options. It might position is self in the center hoping to appeal to all the groups (undifferentiated marketing). It might position itself in the largest market segment (consummated marketing). It might market several brands, each positioned in a different segment (differentiated marketing) clearly if it is developed only one brand, competition would enter and introduce brands in other segments.

3. Diffused preferences: As the other extreme consumer preferences can the scattered throughout the space showing that consumer differ in what they want from the product. If one brand exists the market, it is likely to be positioned in the center minimizes sum of total consumer dissatisfaction. A new competitor could take step to the first brand and fight for market share of the competition could locater in a center to win over a customer group that not satisfied with the center brand. If several brands are in the market, they are likely to be positioned throughout the space show real differences to march consumer preference difference.

Bases for segmenting consumer market:

Geographic segmentation

Demographic segmentation

Psychographics segmentation

Behavioral segmentation

1. Geographic segmentation: - Geographical segmentation for dividing the market into different geographical units such as nations, states, regions, countries, citizen of neighbor hoods. The company can decide to operate in one or a few demographic areas of operate in all but pay attention to variations in geographic needs and preferences.Ex: General foods Maxwell house ground coffee is sold nationally but is flavored regionally. Its coffee is flavored stronger in the west than the east.

2. Demographic segmentation: -Demographic segmentation consists of dividing the market into groups on the basis of demographic variables such as age, sex, family size, family life cycle, income, occupation, education, religion, race and nationality. Demographic variables are the most popular bases for distinguishing customer groups.

3. Psychographics segmentation: -In psychographics segmentation, buyers are divided into different groups on the basis of their social class life style and or personality characteristics. People within the same demographic groups can exhibit very different Psychological profiles.

4.Behavioral segmentation: - In behavioral segmentations buyers are divide into group son the basis of their knowledge attitude use and response to a product many marketers believe that behavioral are best starting point for constructing market segments. A). Occasions: - B). Benefits: - C). User status: - D). Usage rate: - E). Loyalty status: - F). Buyer readiness stage: -

Steps in Market Segmentation

Segmentation is the process of creating small portions within a broad market to choose the right target market for various brands. Market segmentation assists the marketers to devise and execute relevant strategies to sponsor their products amongst the target market.

A market segment consists of people who have identical choices, interests and preferences. They generally think on the same lines and are biased towards similar products. Once the enterprise selects on their target market, they can easily codify strategies and plans to make their brands fashionable amongst the consumers. Steps in market segmentation −

Identify the Target Market

Identifying the target market means choosing the group of audience who could be a potential customer for the product. By identifying the target group, the marketing strategies can be prepared and products can be shaped.

For example − Different segments of cars are targeted at different consumer groups like the SUV for consumer who likes adventure and prefers outdoor road trips and the Sedan for luxury seeker consumer.

Identify Expectations of Target Audience

Expectations of different audience vary as per their requirement from the product. The demand and requirement of the target consumer changes and the company should keep a track of it and change its strategy as needed. For example, Instant noodles are designed for consumers who don't have much time to cook.

Create Subgroups

Creation of subgroup specifies the group it is targeted at and consumers from that group can easily relate to the product. This gives the product an edge in market over other products. For example, Face wash has created subgroups such as men and women and advertisements are made accordingly.

Review the Needs of the Target Audience

It’s important to review the needs of the target audience for upgrading the product or shaping the product as per the requirement of the audience. Consumers’ demands change from time to time and the product has to adapt as per the changes in demand.

Name Your Market Segment

Segments should be given an appropriate name so that the products in that segment can be easily identified. For example − Stores have segments like Boy, Girl, Men, Women, etc., which gives the idea of the products in that segment.

Size of the Target Market

It’s important to acquire information about the market size and have relevant data for sales planning and forecasting. These steps have to be considered for segmentation of marketing and targeting the product at the potential customers.

Marketing Strategies

Marketing strategies are meant to promote and advertise the product. They change as per the segment. Advertisements should be for the target audience so that there is a link between the product and the consumer.

Review the Behavior

The review of target consumer gives an insight into the product. Demands vary differently at a particular time of the year and perception of product changes. By taking review of these behaviors, marketing can be planned accordingly.

Target Market

Introduction: Once the firm has identified its market-segment opportunities, it has to decide how many and which ones to target.

Single-segment Concentration

The company may select a single segment. Volkswagen concentrates on the small-car market and Porsche on the sports car market. Through concentrated marketing the firm gains a strong knowledge of the segment’s needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies through specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment.

Selective specialization

Here the firm selects a number of segments each objectively attractive and appropriate. There may be little or no synergy among the segments, but each segment promises to be a money market. This multi segment coverage strategy has the advantage of diversifying the firm’s risk.

Product specialization

Here the firm specializes in making a certain product it sells to several segments. A. An example would be a microscope manufacturer that sells microscope to university laboratories, government laboratories, and commercial laboratories. The firm makes different microscopes for different customers groups but does not manufacturer other instruments that laboratories might use. Through a product specialization strategy, the firm builds a strong reputation in the specific product area. The downside risk is that the product may be supplanted by an entirely new technology.

Market specialization

Here the firm concentrates on serving many needs of a particular customer group. An example would be a firm that sells an assortment of products only to university laboratories, including microscopes, oscilloscopes, Bunsen burners, and chemical flasks. The firm gains a strong reputation in serving this customer group and becomes a channel for further products that the customer group could use. The downside risk is that the customer group may have its budgets cut.

Full market coverage

Here a firm attempts to serve all customer groups with all the products they might need. Only very large firms can undertake a full market coverage strategy. Examples include I B M, General Motors, and Coca-Cola. Large firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

Positioning

Introduction: Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the target market’s mind.

1. Under positioning: Some companies discover that buyers have only a vague idea of the brand. The brand is seen as just another entry in a crowded marketplace. When Pepsi introduced its clear Crystal Pepsi in 1993, customers were distinctly unimpressed. They didn’t see “clarity” as an important benefit in a soft drink.

2. Over positioning: Buyers may have too narrow an image of the brand. Thus a consumer might think that diamond rings at Tiffany start at $5,000 when in fact Tiffany now offers affordable diamond ring starting at $1,000.

3. Confused positioning: buyers might have a confused image of the brand resulting from the company’s making too many claims or changing the brand’s positioning too frequently. This was the case with Stephen job’s sleek and powerful next desktop computer, which was positioning first for students, then for engineers, and then for businesspeople, all unsuccessfully.

4. Doubtful positioning: Buyers may find it hard to believe the brand claims in view of the product's features, price, or manufacturer. When GM's Cadillac division introduced the Cimarron, it positioning the car as a luxury competitor with BMW, Mercedes, and Audit. Although the car featured leather seats, a luggage rack, lots of chrome, and a Cadillac logo stamped on the chassis, customers saw the car as merely a dolled-up version of Chevy's Cavalier and Oldsmobile's firenza. Although the car was positioned as "more for more", the customers saw it as "less for more". The theme park company can now recognize the different positioning strategies that are available.

- Attribute positioning: A company positions itself on an attribute, such as size or number of years in existence. Disneyland can advertise itself as the largest theme park in the world.
- Benefit positioning: The product is positioned as the leader in a certain benefit. Kott's Berry Farm may try to position itself as a theme park that delivers a fantasy experience, such as living in the old west.
- Use or application positioning: Positioning the product as best for some use or application. Japanese Deer Park can position itself for the tourist who has only an hour to catch some quick entertainment.
- User positioning: Positioning the product as best for some user group. Magic Mountain can advertise itself as best for "thrill seekers".
- Competitor positioning: The product claims to be better in some way then a named competitor. For example, Lion Country safari can advertise having a great variety of animals than Japanese deer park.
- Product category positioning: The product is positioned as the leader in ascertain product category. Mainland of the pacific can position itself not as a "recreational theme park" but as an "educational institution.
- Quality or price positioning: The product is positioned as offering the best value. Busch Gardens can position itself as offering the "best value" for the money.

CONSUMERS BUYING BEHAVIOUR

Buying Behavior is the decision processes and acts of people involved in buying and using products. Consumer behavior refers to the purchasing behavior of final customer or individual or household who buys goods & services for personal use. Customer behavior is very important as it supports product positioning, development of effective marketing strategy and enhancement of long-term customer relationship.

Importance

- It is significant for regulating consumption of goods and thereby maintaining Economic stability.
- It is useful in developing ways for the more efficient utilization of resources of marketing. It also helps in solving marketing management problems in more Effective manner.

- Today consumers give more importance on environment friendly products.
- They are concerned about health, hygiene and fitness. They prefer natural Products. Hence detailed study on upcoming groups of consumers is essential For any firm.
- The growth of consumer protection movement has created an urgent need to Understand how consumers make their consumption and buying decision.
- Consumers' tastes and preferences are ever changing. Study of consumer behavior gives information regarding colour, design, size etc. which consumers want. In short, consumer behavior helps in formulating of production policy.
- For effective market segmentation and target marketing, it is essential to have An understanding of consumers and their behavior.

General classification of consumers

1. Personal Consumers
2. Organizational Consumers
3. Impulse Consumers
4. Need-based Consumers
5. Discount Driven Consumers
6. Habitual Consumers

Personal Consumers: This type of consumer is an individual consumer who buys Products or services for own use, or for family, or for household use. Finished Products are purchased by personal consumer and the purchases are done in small Quantities.

Organizational Consumers: This type of consumer can be a business, government, Profit or non-profit organization, or agency that purchases goods or services for Organization to function or for resale purpose. Purchases are done in the form of Raw-materials that are processed to finished goods and offered for sale to other Consumers.

Impulse Consumers: These types of consumer do unplanned purchases. Purchasing a Particular product was not a priority, but when the consumer encounters that Product, he makes swift buying decision. Impulse consumer purchase what seems Good at the time.

Need Based Consumer: This type of consumer has a specific intention to purchase A particular type of product. Need-based Consumer is driven by a specific need. He Makes buying decision when he actually needs that product and not any other time.

Discount Driven Consumers: These types of consumers do purchases when they get Some lucrative offer or discount. Their buying decision is highly based on offers or Discounts.

Habitual Consumers: Person who is habitual to the usage or consumption of a kind Of product is called habitual consumer. For example - person who smoke.

Factors Influencing Consumer Buying Behavior

There are some factors that influence the buying behavior of a customer or what we can say as the customer's preference for buying a product.

Consumer behavior is basically dependent on the following four key factors −

Cultural factor − Factors like culture, sub-culture, and social class.

• **Culture**: The set of basic values perceptions, wants, and behaviors learned by a member of society from family and other important institutions. Culture is the most basic cause of a person's wants and behavior. Every group or society has a culture, and cultural influences on buying behavior may vary greatly from country to country.

• **Sub Culture**: A group of people with shared value systems based on common life Experiences and situations. Each culture contains smaller sub cultures a group of people With shared value system based on common life experiences and situations. Sub culture Includes nationalities, religions, racial group and geographic regions. Many sub culture Make up important market segments and marketers often design products.

• **Social Class**: Almost every society has some form of social structure; social classes are Society's relatively permanent and ordered divisions whose members share similar Values, interests and behavior.

Social factor − Factors like reference group, secondary reference group, and family.

• **Groups**: Two or more people who interact to accomplish individual or mutual goals. A Person's behavior is influenced by many small groups. Groups that have a direct Influence and to which a person belongs are called membership groups. Some are A primary group includes family, friends, neighbors and coworkers. Some are secondary Groups, which are more formal and have less regular interaction. These include Organizations like religious groups, professional association and trade unions.

• **Family**: Family members can strongly influence buyer behavior. The family is the most important consumer buying organization society and it has been researched extensively. Marketers are interested in the roles, and influence of the husband, wife and children on the purchase of different products and services.

• **Roles and Status**: A person belongs to many groups, family, clubs, and organizations. The person's position in each group can be defined in terms of both role and status. For Example. M & "X" plays the role of father, in his family he plays the role of husband, in His company, he plays the role of manager, etc. A Role consists of the activities people Are expected to perform according to the persons around them.

Personal factor − Factors like age, sex, lifestyle, occupation, and financial status.

• **Age and Life cycle Stage**: People change the goods and services they buy over their Lifetimes. Tastes in food, clothes, furniture, and recreation are often age related. Buying is also shaped by the stage of the family life cycle.

• **Occupation**: A person's occupation affects the goods and services bought. Blue collar Workers tend to buy more rugged work clothes, whereas white-collar workers buy more Business suits. A Co. can even specialize in making products needed by a given occupational group. Thus, computer software companies will design different products

For brand managers, accountants, engineers, lawyers, and doctors.

• **Economic situation**: A person's economic situation will affect product choice

• **Life Style**: Life Style is a person's Pattern of living, understanding these forces involves measuring consumer's major AIO dimensions. I.e. activities (Work, hobbies, shopping, support etc) interest (Food, fashion, family recreation) and opinions (about themselves Business, Products)

• **Personality and Self-concept**: Each person's distinct personality influences his or her Buying behavior. Personality refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment.

Psychological factor − Factors like motivation, perception, belief, and attitude.

• **Motivation**: Motive (drive) a need that is sufficiently pressing to direct the person to Seek satisfaction of the need

• **Perception**: The process by which people select, Organize, and interpret information to Form a meaningful picture of the world.

• **Learning**: Changes in an individual's behavior arising from experience.

• **Beliefs and attitudes**: Belief is a descriptive thought that a person holds about Something. Attitude, a Person's consistently favorable or unfavorable evaluations, Feelings and tendencies towards an object or idea.

Consumer decision making process

1. Problem or Need Recognition: Consumer decision making process begins with an Unsatisfied need or problem. Every day we face multiple problems which individuals Resolve by consuming products or services. Consumer problem can be routine or Unplanned. For example – run out of milk or cooking oil, car indicating low level of fuel,

Are some of the routine problems that individuals face. Such problems are quickly Recognized, defined, and resolved. Recognition of unplanned problem may take much Longer time as it may evolve slowly over time. For example - need of a new refrigerator As existing one is not working properly.

2. Information Search: Information search is done to know about product or service, Price, place and so on. In the process of decision making, the consumer engages in both Internal and external information search. Internal information search involves the Buyer identifying alternatives from his memory. Internal information search is Sufficient for low involvement products or services. For high involvement product or Service, buyers are more likely to do external information search. The amount of efforts A buyer put in information search depends on various factors like market, competition, Difference in brands, product characteristics, product importance, and so on.

3. Alternatives Evaluation: At this step the buyer identifies and evaluates different Alternatives to choose from. It is not possible to examine all the available alternatives. So, buyer develops evaluative criteria to narrow down the choices. Evaluative criteria Are certain characteristics that are important to buyer such as price of the product, size, Colour, features, durability, etc. Some of these characteristics are more important than Others. To narrow down the choices the buyer considers only the most important Characteristics.

4. Purchase Decision: The earlier mentioned evaluation step helps the consumer in Arriving at a purchase intention. In the decision evaluation stage, the consumer forms Preferences among the brands in the choice set. The consumer may also form a Purchase intention and lean towards buying the most preferred brand. However, factors Can intervene between the purchase intention and the purchase decision. A buyer who Decides to execute a purchase intention will be making up to five purchase decisions Brand decision, vendor decision, quantity decision, timing decision and payment method Decision.

5. Post-purchase Use and Evaluation: Once the buyer makes a decision to purchase a Product or service there can be several types of additional behavior associated with That decision such as decisions on product uses and decision on services related to the Product purchased. The level of satisfaction experienced by the buyer after his purchase Will depend on the relationship between his expectations about the product and Performance of the product. If the buyer is satisfied then he will exhibit a higher Probability of repeat purchase of the product or service. The satisfied buyer will also Tend to say good words about the product or service. Whereas a highly dissatisfied Buyer will not buy the product or service again and spread negative words about Service and company.

Buying Roles

The decision-making unit of a buying organization is called its buying center – all the individuals and units that play a role in the business purchase decision making process. This group includes the actual users of the product or service, those who make the buying decision, those who influence the buying decision, those who do the actual buying and those who control buying information.

Kinds of Buying Roles

Initiator Those who request that something be purchased. They may be users or others in the organization. For example- for office equipment’s, the initiative may be taken by administrative department.

Users Those who will use the product or services. In many cases the users initiate the buying proposal and help define the product requirements

Influencer People who influence the buying decision. They often help define specification and also provide information for evaluating alternatives. Technical persons are generally important influencers

Deciders People who decide on product requirements or on suppliers and those who have authority to select the suppliers. For major purchase, the final decision will be taken by top management

Approvers People who authorize the proposed action of deciders and buyers

Buyers People who have formal authority to select the supplier and arrange the purchase terms. Buyers play their major role in selecting vendors and negotiating. In more complexes the buyers might include high level managers

Gatekeepers People who have the power to prevent sellers or information from reaching members of the buying center. For example – purchasing agents, receptionists may prevent salespersons from contacting users or deciders.

MODULE---3

PRODUCT

Definition of Product: We define a product is anything that can be offered to a market For attention, acquisition, use or consumption and that might satisfy a want or need. Products include more than just tangible goods. It includes physical objects, services, Persons, place, organizations, ideas or mixtures of these entities. Products are almost Always combinations of the tangible and intangible. The entire package is sometimes Referred to as the augmented product. The mix of tangibles and intangibles in the Augmented product varies from one product or service to another.

Levels of the product:

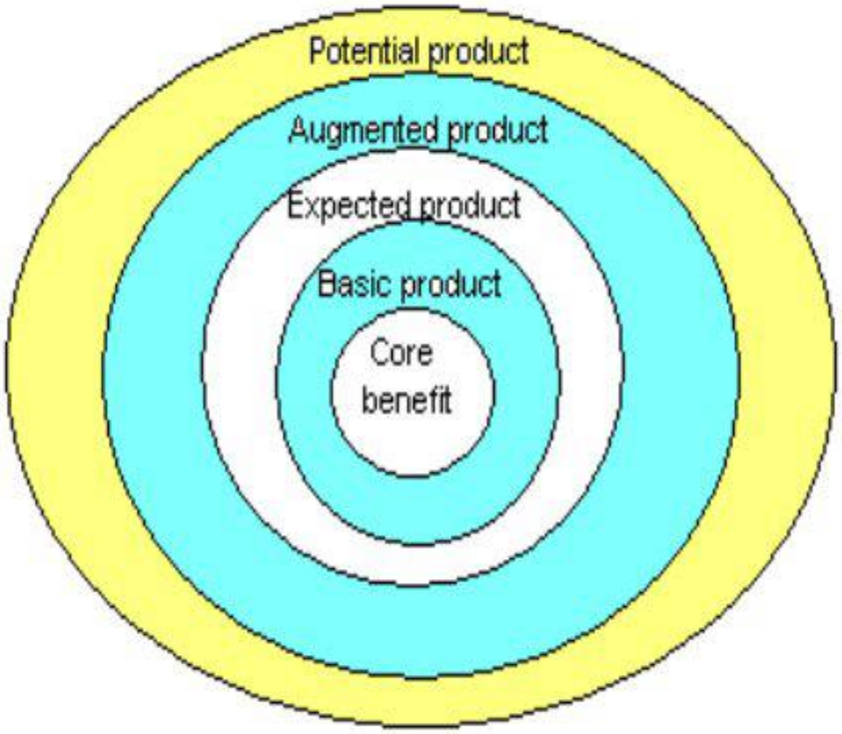
1) Core Product / Core Benefit: The fundamental service or benefit that the customer is Really buying.

(2) Basic Product: At the same level, the marketer has to turn the core benefit into a basic product.

(3) Expected Product: A set of attributes and conditions buyers normally expect when They purchase this product.

4) Augmented Product: The marketer prepares an augmented product that exceeds Customer expectations. Today's competition essentially takes place at the product augmentation level.

5) Potential Product: encompasses all the possible augmentations and transformations The product might undergo in the future. Companies search for new ways to satisfy Customers and distinguish their offer.



In case of a car, the 5 levels of a product are:

1. Core product: Transportation from one place to another.
2. Actual Product: Brand of the car, looks and design of the car etc.
3. Expected Product: Decent mileage, proper engine, inflated tyres etc.
4. Augmented Product: After-sale services, insurance policy etc.
5. Potential Product: May run more smoothly as it wears off a

Classification of the product

Products are classified into 2 types

Consumer product.

Industrial product.

Consumer product: On the basis of the product characteristics:

1. Non durables
2. Durables
3. Services

1. Non durables: These are tangible goods normally consumed in one or few uses. Because these goods are consumed quickly and purchased frequently, the Appropriate strategy is to make them available at many locations, charge only a Small mark up and advertise heavily to induce trial and build preference.

2. Durables; these are tangible goods that normally survive many uses. Normally Require more personal selling and service, command a higher margin, and require More seller guarantees.

3. Services: These are intangible, inseparable, variable and perishable products. Normally require more quality control, superior credibility, and adaptability.

On the basis of customer shopping habits

(1) Convenience goods
(2) Shopping goods
(3) Specialty goods
(4) Unsought goods

Convenient goods: These goods that the customer usually purchases frequently, Immediately, and with a minimum of efforts. This type of goods can divide into the Following way:

(A) Staples: Consumers purchase on a regular basis.
(B) Impulse Goods: are purchased without any planning or search efforts.
(C) Emergency Goods: are purchased when a need is urgent.

Shopping goods: These goods that the customer in the process of selection and purchase, characteristically compares on such basis as suitability, quality, price and style.

Specially goods: These goods with unique characteristics or brand identification for Which buyer is willing to make a special purchasing effort.

Unsought goods: These goods the consumer does not know about or does not normally Think of buying. These goods require advertising and personal selling support.

Industrial products: -

Material and parts: Raw materials consists of form product-wheat, cotton, live stock, fruits, vegetables manufactured material, iron, yarn, cement and wires.

Capital items: installations consist of major purchases such as buildings factories Offices. Accessory equipment-hand tools lift trucks.

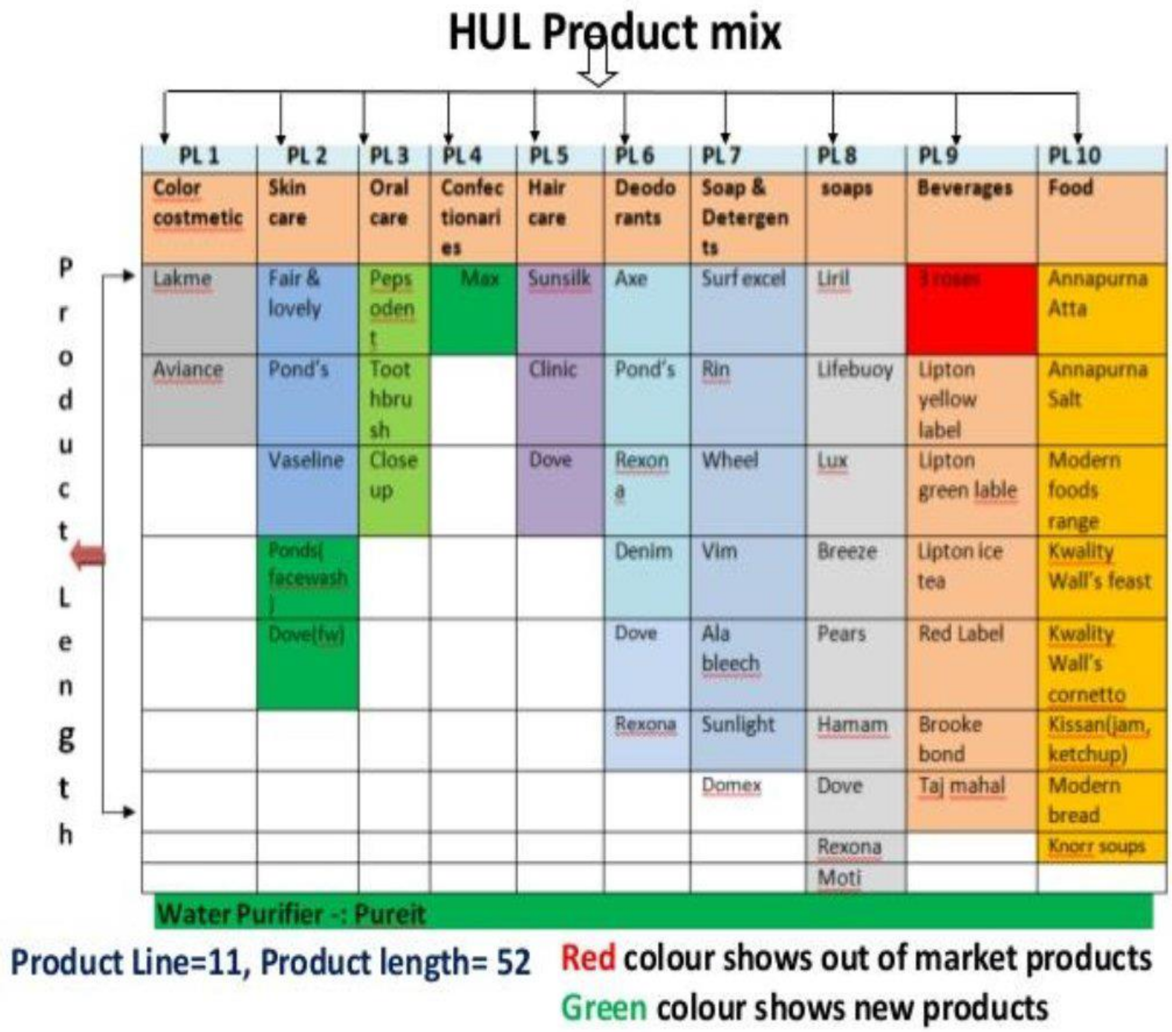
Suppliers and services: Suppliers-lubricants, coal, paper, pencils, advisory services-legal, management consulting, and advertising.

Product lines.

Introduction: In marketing jargon, product lining is offering several related products for Sale individually. Unlike product bundling, where several products are combined into One group, which is then offered for sale as a unit, product lining involves offering the Products for sale separately. A line can comprise related products of various sizes, Types, colors, qualities, or prices.

Product mix,

Introduction: Product mix, also known as product assortment, refers to the total number Of product lines that a company offers to its customers. For example, a small company May sell multiple lines of products. Sometimes, these product lines are fairly similar, Such as dish washing liquid and bar soap, which are used for cleaning and use similar Technologies. Other times, the product lines are vastly different, such as diapers and Razors. The four dimensions to a company's product mix include width, length, and depth and consistency.



Width: The width of a company's product mix pertains to the number of product lines that a company sells. For example, if a company has two product lines, its product mix width is two. Small and upstart businesses will usually not have a wide product mix. It is more practical to start with some basic products and build market share. Later on, a company's technology may allow the company to diversify into other industries and Build the width of the product mix.

Length: Product mix length pertains to the number of total products or items in a Company's product mix, according to Philip Kotler's textbook "Marketing Management: Analysis, Planning, Implementation and Control." For example, ABC Company may have two product lines, and five brands within each product line. Thus, ABC's product mix length would be 10. Companies that have multiple product lines will sometimes keep track of their average length per product line. In the above case, the average length of an ABC Company's product line is five.

Depth: Depth of a product mix pertains to the total number of variations for each product .Variations can include size, flavor and any other distinguishing characteristic.

For example, if a company sells three sizes and two flavors of toothpaste, that particular brand of toothpaste has a depth of six. Just like length, companies sometimes report the average depth of their product lines; or the depth of a specific product line.

Consistency: Product mix consistency pertains to how closely related product lines are tone another--in terms of use, production and distribution. A company's product mix maybe consistent in distribution but vastly different in use. For example, a small company may sell its health bars and health magazine in retail stores. However, one product is edible and the other is not. The production consistency of these products would vary as well.

Branding

Definition of Branding

According to American Marketing Association - Brand is “A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.”

According to Philip Kotler - “Brand is a name, term, sign, symbol, design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors”

Meaning of Branding

Branding is a process of creating a unique name and image for a product in the mind of Consumer, mainly through advertising campaigns. A brand is a name, term, symbol, Design or combination of these elements, used to identify a product, a family of Products or all products of an organization.

Elements of Branding

Brand includes various elements like - brand names, trade names, brand marks, trade Marks and trade characters. The combination of these elements form a firm's corporate Symbol or name.

Brand Name - It is also called Product Brand. It can be a word, a group of words, letters, or numbers to represent a product or service. For example - Pepsi, iPhone 5, and etc.

Trade Name - It is also called Corporate Brand. It identifies and promotes a company or a division of a particular corporation. For example - Dell, Nike, Google, and etc.

Brand Mark - It is a unique symbol, coloring, lettering, or other design element. It is Visually recognizable, not necessary to be pronounced. For example - Apple's apple, or Coca-Cola’s cursive typeface.

Trade Mark - It is a word, name, symbol, or combination of these elements. Trade mark is legally protected by government. For example - NBC colorful peacock, or McDonald’s golden arches. No other organization can use these symbols.

Trade Characters - Animal, people, animated characters, objects, and the like that are used to advertise a product or service, that come to be associated with that product or Service. For example - Keebler Elves for Keebler cookies

Branding Strategies

There are various branding strategies on which marketing organizations rely to meet Sales and marketing objectives. Some of these strategies are as following:-

1. **Brand Extension** - According to this strategy, an existing brand name is used to Promote a new or an improved product in an organization's product line. Marketing Organization's uses this strategy to minimize the cost of launching a new product and The risk of failure of new product. There is risk of brand diluting if a product line is Over extended.
2. **Brand Licensing** - According to this strategy, some organizations allow other Organizations to use their brand name, trade name, or trade character. Such Authorization is a legal licensing agreement for which the licensing organization Receives royalty in return for the authorization. Organizations follow this strategy to Increase revenue sources, enhance organization image, and sell more of their core Products.
3. **Mixed Branding** - This strategy is used by some manufacturers and retailers to sell Products. A manufacturer of a national brand can make a product for sale under Another company's brand. Like this a business can maintain brand loyalty through Its national brand and increase its product mix through private brands. It can Increase its profits by selling private brands without affecting the reputation and Sales of its national brand.
4. **Co-Branding** - According to this strategy one or more brands are combined in the Manufacture of a product or in the delivery of a service to capitalize on other Companies' products and services to reach new customers and increase sales for Both companies' brands.

Brand Equity: Brand equity is an intangible asset that depends on associations made By the consumer.

Packaging

Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells. It is fully integrated into government, business, institutional, industry, and personal use.

Purpose of packaging

• **Physical protection** - The objects enclosed in the package may require protection from, among other things, shock, vibration, compression, temperature, etc.

• **Barrier protection** - A barrier from oxygen, water vapor, dust, etc., is often required.

Permeation is a critical factor in design. Some packages contain desiccants or Oxygen Absorbers to help extend shelf life. Modified atmospheres or controlled atmospheres are Also maintained in some food packages. Keeping the contents clean, fresh, sterile and safe for the intended shelf life is a primary function.

• **Containment or agglomeration** - Small objects are typically grouped together in one Package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials Need containment.

• **Information transmission** - Packages and labels communicate how to use, transport, Recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and Chemical products, some types of information are required by governments. Some Packages and labels also are used for track and trace purposes.

• **Marketing** - The packaging and labels can be used by marketers to encourage potential Buyers to purchase the product. Package graphic design and physical design have been Important and constantly evolving phenomenon for several decades. Marketing Communications and graphic design are applied to the surface of the package and (in Many cases) the point-of-sale display.

• **Security** - Packaging can play an important role in reducing the security risks of Shipment. Packages can be made with improved tamper resistance to deter tampering and

Also can have tamper-evident features to help indicate tampering. Packages can be Engineered to help reduce the risks of package pilferage: Some package constructions are

More resistant to pilferage and some have pilfer indicating seals. Packages may include Authentication seals and use security printing to help indicate that the package and Contents are not counterfeit. Packages also can include anti-theft devices, such as dye packs, FID tags, or electronic article surveillance. Tags, that can be activated or Detected by devices at exit points and require specialized tools to deactivate. Using Packaging in this way is a means of loss prevention.

• **Convenience** - Packages can have features that add convenience in distribution, Handling, stacking, display, sale, opening, reclosing, use, dispensing, and reuse.

• **Portion control** - Single serving or single dosage packaging has a precise amount of Contents to control usage. Bulk commodities (such as salt) can be divided into packages Those are a more suitable size for individual households. It is also aids the control of Inventory: selling sealed one-liter-bottles of milk, rather than having people bring their Own bottles to fill themselves.

LABELLING—TALKING ABOUT THE PRODUCT

Label: The paper or plastic sticker attached to a container to carry product information. As packaging technology improves, labels become incorporated into the protective aspects of the package rather than simply being affixed to the package.

Sellers must label products. The label may be a simple tag attached to the product or An elaborately designed graphic that is part of the package. The label might carry only The brand name or a great deal of information. Even if the seller prefers a simple label, The law may require additional information.

Labels perform several functions. First, the label identifies the product or brand—for Instance, the name Sunkist stamped on oranges. The label might also grade the product; Canned peaches are grade labeled A, B and C. The label might describe the product : Who made it, where it was made, when it was made, what it contains, how it is to be Used, and how to use it safely. Finally, the label promotes the product through its attractive graphics.

Product Life Cycle.

Meaning: -Products, like people, have a certain length of like, during which they pass Through different stages. For some the life cycle may be as short as a month, while for Other it may last for quite a sufficiently long period.

Definition: The product life cycle (PLC) is an important concept in marketing that provides insight into a product competitive dynamic. The PLC is an attempt to recognize distinct stages in the sales history of the product.

To say that a product has a life cycle is to assert four things

- Products have a limited life.
- Product sales pass through distinct stages each posing different challenger to the Seller.
- Product profits rise and full at different stages of the PLC.
- Products require different marketing, financial, manufacturing, purchasing and Personnel strategies in the different stages of their life cycle.

PLC Stages: - PLC life being with its market introduction next it goes through a period During which its market grows rapidly. Ultimately it reaches marketing maturity offer Which its market declines and finally the product dies. It is worth noting that the Duration each stage is different among products. Some take years to pass through the introduction stages

Introduction Stage: In the introduction stage, the firm seeks to build product awareness and develop a market for the product. The impact on the marketing mix is as follows:

• Product branding and quality level is established and intellectual property protection Such as patents and trademarks are obtained.

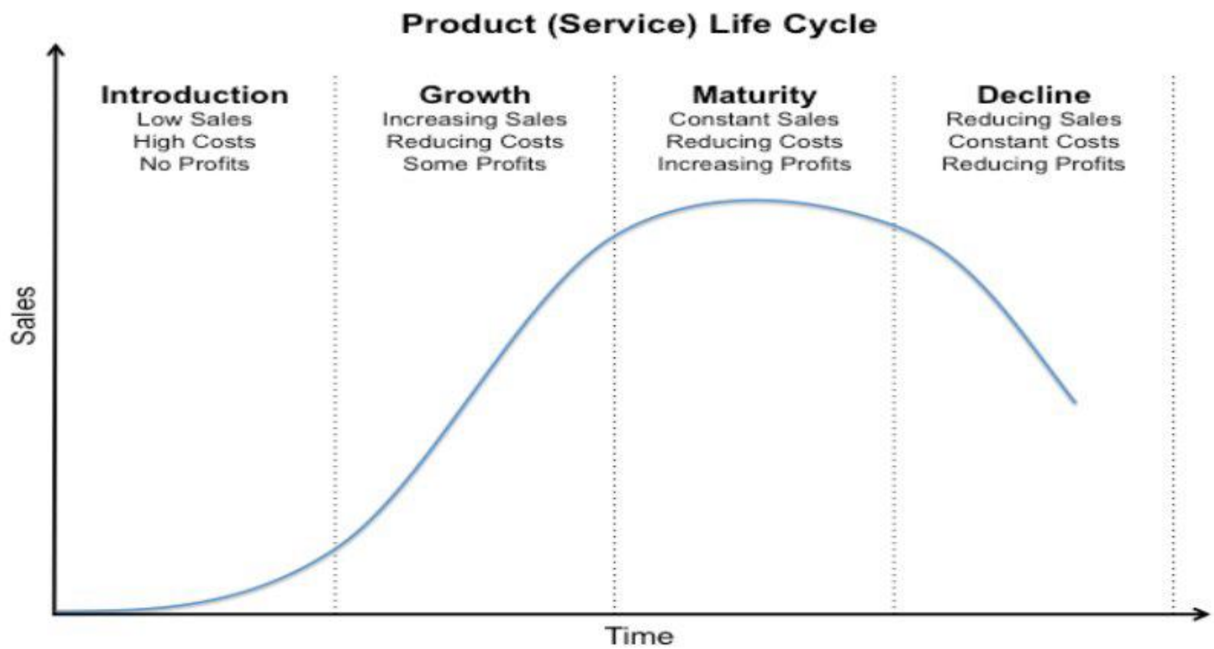
• Pricing may be low penetration pricing to build market share rapidly, or high skim Pricing to recover development costs.

• Distribution is selective until consumers show acceptance of the product

• Promotion is aimed at innovators and early adopters. Marketing communications seeks To build product awareness and to educate potential consumers about the product.

Growth Stage: In the growth stage, the firm seeks to build brand preference and increase market share.

• Product quality is maintained and additional features and support services may be added.
• Pricing is maintained as the firm enjoys increasing demand with little competition.
• Distribution channels are added as demand increases and customers accept the product.
• Promotion is aimed at a broader audience.



Maturity Stage: At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit.
• Product features may be enhanced to differentiate the product from that of competitors.
• Pricing may be lower because of the new competition.
• Distribution becomes more intensive and incentives may be offered to encourage Preference over competing products.
• Promotion emphasizes product differentiation.
Decline Stage: As sales decline, the firm has several options:
• Maintain the product, possibly rejuvenating it by adding new features and finding new Uses.
• Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche Segment.

• Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

The marketing mix decisions in the decline phase will depend on the selected strategy. For example, the product may be changed if it is being rejuvenated, or left unchanged if it is being harvested or liquidated. The price may be maintained if the product is harvested, or reduced drastically if liquidated.

Continuation Strategy: Increasing the firm’s investment (to dominate the market Or strengthen the competitive position). Maintaining the firm’s investment level Until the uncertainties about the industry are resolved

Concentration Strategy: - Decreasing the firm’s investment level selectively, by Dropping unprofitable customer groups, while simultaneously strengthening the Firm’s investment in lucrative niches.

Harvesting Strategy: - Divesting the business quickly by disposing of its assets as Advantageously as possible.

The Drop Strategy- When a company decides to drop a product, it faces further Decisions. If the product has strong distribution and residual goodwill, the company Can probably sell it to another firm. If the company can’t find any buyers, it must Decide whether to liquidate the brand quickly or slowly. It must also decide on how Much parts inventory and service to maintain for past customers.

New Product Development

Introduction: The new product development is process of eight sequential stages. “New product” includes original products, improved products, modified products and New brands that the firm develops through its own R&D efforts.

New products include

New-to-the-word products: - New products that create an entirely new market.

New-product lines: - New products that allow a company to enter an established Market for the first time.

Additions to the existing product lines: - New products that supplement a Company’s establishment product lines.

Improvements are to existing products: – New products that provide improved Performance or greater perceived value and replace existing products.

Repositioning: - Existing products that are targeted to new markets of market Segments.

Cost Reductions: - New products that provide similar performance at lower cost.

Why New Product Fail:

A high-level executive pushes a favorite idea in research findings.

The idea is good, but the market size is over estimated.

The product is not well designed.

Development costs are higher than expected.

Competitors fight bat harder than expected.

NEW PRODUCT DEVELOPMENT PROCESS

Idea Generation: -"The systematic search for new product ideas". At Gillette of Every 45 carefully developed new product ideas. Major sources of new product Ideas include internal sources, customers, competitors, distributors & suppliers and Others.

Idea Screening: - Screening new-product ideas in order to spot good ideas and drop Poor ones as soon as possible. The write u describer the product, the target market; And the competition. It maker some rough estimates of market size, product rice, Development time & costs, manufacturing costs & rate of return. The committee Than evaluates the idea against a set of general criteria.

Total ideas are categories into three groups. They are, promising ideas, marginal ideas and rejected ideas. In screening ideas, the companies normally face 2 serious errors & they must try to avoid these mistakes. 1. DROP ERROR 2. GO ERROR

Concept Development & Testing.

- here, the Product Idea is converted into product concept.
- Product Ideas means possible product that company may offer to the market.
- A product concept is a detailed version of the idea stated in meaningful consumer terms
- when developing product concept following criteria should be consider. Who will use the product? What primary benefit should this product provide? When will this product be consumed?
- Concept Testing means presenting the product concept to target consumers, physically or symbolically, and getting their reactions.

Concept development and testing methodology applies to any product, service, or idea, such as an electric car, a new machine tool, a new banking service, of a new health plan.

Marketing Strategy Development: - Designing as initial marketing strategy for a New product based on the product concept. The marketing strategy statements Consist of 3 parts. The first part describes the target market, the planned product Positioning & the sales, market share & profit goals for the first few years.

The second part of the marketing strategy statement cut-lines the product's planned price; distributor & marketing budget for the first year. The third part of the marketing strategy statement describes the planned long run sales; profit goals & marketing mix strategy.

Business Analysis.

- this stage will decide whether from financial as well as marketing point of view, the project is beneficial or not. In Business Analysis,
- Estimate likely selling price based upon competition and customer feedback.
- Estimate sales volume based upon size of market.

 Estimate profitability and break-even point.
 If above are match with the company's objectives, then the new product concept moves to product development stage

Product Development.

 Up to now, the product has existed only as a word description, a drawing.
 The Company will now determine whether the product idea can translate into a technically and commercially feasible product. Produce a physical prototype, Test the product, Conduct focus group customer, Make adjustment.

Market Testing

. now the product is ready to be branded with a name, logo, and packaging and go into a preliminary market testing.
 Marketing Testing involves placing a product for sale in one or more selected areas and observing its actual performance under the proposed marketing plan.
 Methods for market testing: 1. Sales wave research. 2. Simulated test marketing. 3. Controlled testing marketing. 4. Test markets

Commercialization.

 after successful market testing, new product comes to commercialization stage
 during this stage, production of new product on a commercial basis is rapidly built up and implementing a total marketing plan.
 for formally launching a New Product, the following decisions to be taken: A) When to launch (Timing) B) Where to launch (Geographic Strategy) C) To Whom (Target-Market Prospects) D) How to launch (Introductory Market Strategy

PRICING

Price has been the major determinant of a buyer‘s choice & is the only element in the marketing mix that generates revenue. Pricing acquires its importance on account of yet another factor. It is a highly risky decision area & mistakes in pricing seriously affects the firm, its profits, growth & future.

Five major objectives through pricing:

Survival-ness
Maximum current profit,
Maximum market share,
Maximum market skimming,
Product-quality leadership

Factors Influencing Pricing: There are internal as well as external factors that affect pricing: -**Internal Factors**:

(I) Corporate & marketing objectives of the firm.
(ii) The image sought by the firm through pricing
(iii) The characteristic of the product
(iv) Price elasticity of demand of the product.
(v) Stage of product in its life cycle.

(vi) Use pattern & turnaround rate of the product.
(vii) Cost of manufacturing & marketing
(viii) Extent of differentiation practiced
(ix) Other elements of the marketing mix & their interaction with pricing
(x) Composition of the product line of the firm.

External Factors:

(I) Market characteristics (relative to demand, customer & competition)
(ii) Buyer behavior in respect of the product
(iii) Bargaining power of major customers
(iv) Bargaining power of major suppliers
(v) Competitor's pricing policy
(vi) Government controls / regulation on pricing
(vii) Other relevant legal aspects
(viii) Societal consideration.

Pricing methods

There are several methods of pricing & they can be grouped into few broad categories:-
(1) Cost Based Pricing
(2) Demand Based Pricing
(3) Competition Oriented Pricing
(4) Value Pricing
(5) Product Line Oriented Pricing
(6) Tender Pricing
(7) Affordability Based Pricing
(8) Differentiated Pricing.

(1) Cost Based Pricing: Under the cost based pricing, different methods used are: - Mark up Pricing Absorption Cost Pricing Target Rate of Return Pricing Marginal Cost Pricing

Mark Up Pricing: It refers to the pricing methods in which the selling price of the product is fixed by adding a margin to its cost price. The mark ups may vary depending on the nature of the product & the market. Usually, the higher the value of the product, the larger is the mark up. Again, the slower the turnaround of the product, the larger is the mark up. Mark-up pricing proceeds on the assumption that demand cannot be known accurately, but costs are known.

Absorption Cost Pricing: ACP rests on the estimated unit cost of the product at the normal level of production & sales. The method uses standard costing techniques & works out the variable & fixed costs involved in manufacturing, selling & administering the product. By adding the costs of 3 operations, we get the total costs. The selling price of the product is arrived by adding the required margin towards profit to such total costs. The main merit of this method is that as long as the market can absorb the production at the determined price, the firm is assured of its profits without any risk & the main demerit is that the method simply assumes price to be a function of cost alone & this method becomes ineffective

Target Rate of Return Pricing: It is similar to absorption cost pricing. The rate of return pricing uses a rational approach to arrive at the mark up. It is arrived in such a way that the ROI criteria of the firm are met in the process. But this process amounts to an improvement over absorption costing since it uses a rational basis for arriving at the mark up. Second, since the rate of return on the funds employed is a function of mark up as well as turnaround of capital employed, rate of return pricing constantly reminds the firm that there are 2 routes for profits- improvement in the capital turnover & increase in the mark up. The main limitation of the method is that the rate of return is linked to the level of production & sales assumed.

Marginal Cost Pricing: It aims at maximizing the contribution towards fixed costs. Marginal costs include all the direct variable costs of the product. In marginal cost pricing, these direct variable costs are fully realized. In addition, a portion of the fixed costs is also realized under competitive market conditions marginal cost pricing is more useful. Moreover, when a firm has a number of product lines marginal cost pricing is useful. This method is also useful in quoting for competitive tenders & in export marketing. On the demerits side, marginal costing makes certain assumptions, regarding cost & revenue behaviors which can turn out to be incorrect in some cases. Moreover, while marginal costing rests on a twofold classification of cost into fixed costs & variable costs, in reality there can be a third class of costs – The Semi variable costs. (2)

2. Demand Based Pricing: The following methods belong to the category of demand / market based pricing: - What the Traffic can Bear'Pricing Skimming Pricing Penetration Pricing

What the Traffic can Bear' Pricing: The seller takes the maximum price that the customers are willing to pay for the product under the given circumstances. This method is used more by retail traders than by manufacturing firms. This method brings high profits in the short term. But in the long run it is not a safe concept; chances of errors in judgment are very high.

Skimming Pricing: This method aims at high price & high profits in the early stage of marketing the product. It profitably taps the opportunity for selling at high prices to those segments of the market, which do not bother much about the price. This method is very useful in the pricing of new products, especially those that have a luxury or specialty elements.

Penetration Pricing: Penetration pricing seeks to achieve greater market penetration through relatively low price. This method is also useful in pricing of new products under certain circumstances. For e.g. when the new product is capable of bringing in large volume of sales, but it is not a luxury item & there is no affluent / price insensitive segment, the firm can choose the penetration pricing & make large size sales at a reasonable price before competitors enter the market with a similar product. Penetration pricing in such cases will help the firm have a good coverage of the market & keep competition out for some time. In all demand-based pricing methods, the price elasticity of demand is taken into account directly or indirectly. Price elasticity of demand refers to the relative sensitivity of demand for a product to changes in its price in other words how significantly the sales of the product are affected when price is changed. If an increase or decrease in the price of the product results in significant decrease or increase the product is said to be price elastic conversely, if price change does not significantly affect the sales volume, a product is said to be price inelastic.

(3) Competition Oriented Pricing: In a competitive economy, competitive oriented pricing methods are common. The methods in this category rest on the principle of competitive parity in the matter of pricing. Three policy options are available to the firm under this pricing method:-**Premium Pricing Discount Pricing Parity Pricing**

Premium pricing means pricing above the level adopted by competitors. Discount pricing means pricing below such level & parity pricing means matching competitors pricing.

(4) Value Pricing: Value pricing is a modern innovative & distinctive method of pricing. Value pricing rests on the premise that the purpose of pricing is not to recover costs, but to capture the value of the product perceived by the customer. Analysis will readily show that the following scenario is possible with the cost value price chain.

Value > Price > Costs

Price > Value > Costs

Price > Costs > Value

Price > Value > Costs

Under Scenario: (I) Marketer recovers his costs through price, but fails to recover the value of his product. (ii) He recovers his costs as well as the value.

(iii) The value that he passes on to the customer is still lesser. (iv) He matches the value & price & wins customer loyalty & since the value created is larger than his costs, he ensures his profits.

(5) Product Line Pricing: When a firm markets a variety of products grouped into suitable product lines, a special possibility in pricing arises. As the product in a given product line are related to each other, sales of one influence that of the others. They also have interrelated costs of manufacturing & distribution. It can fix the prices of the different product in such a manner that the product line as a whole is priced optimally, resulting in optimal sales of all the products put together & optimal total profits from the line.

(6) Tender Pricing: Business firms are often required to fix the prices of their products on a tender basis. It is more applicable to industrial products & products purchased by Institutional customers. Such customers usually go by competitive bidding through sealed tenders. They seek the best price consistent with the minimum quality specification & thus bag the order.

(7) Affordability Based Pricing: The affordability-based pricing is relevant in respect of essential commodities, which meet the basic needs of all sections of people. Idea here is to set prices in such a way that all sections of the population are in a position to buy & consume the products to the required extent.

(8) Differentiated pricing - Some firms charge different prices for the same product in different zones/ areas of the market. Sometimes, the differentiation in pricing is made on the basis of customer class rather than marketing territory

Pricing procedure

The term pricing procedure refers to the actual process /mechanics of working out the price. The steps involved in the pricing procedure will vary depending on the pricing objectives & pricing methods chosen by the firm. The general steps of pricing procedure are:

(I) identify the target customer segments & draw up their profiles.

(ii) Decide the market position & price image that the firm desires for the brand.

(iii) Determine the extent of price elasticity of demand of the product & the extent of price sensitivity of target customer groups.

(iv) Take into account the life cycle stage of the product. Analyze competitions prices.

(v) Analyze, other environmental factors.

(vi) Choose the pricing methods to be adopted taking all the above factors into account.

(vii) Select the final price.

(viii) Periodically review the pricing method as well as procedure

Marketing channel can be defined as the procedure of activities that need to be Performed to distribute the finished goods at the point of production to the customer at the point of consumption.

Manufactures use different channels to distribute the finished goods to customers.

The profit is distributed between the elements of distribution channel, so if the channel is longer, each element has lower profit margin and there is less scope for discounts for the consumer. In a shorter channel, the distribution is divided between fewer elements, profit is higher for each element and higher discounts can be provided to the customer. A marketing channel can be short, i.e. Manufacturer to Consumer, or a long chain, involving many intermediaries Manufacturer to wholesaler to a retailer, before reaching the final consumer. Each link in the chain receives the product at one pricing point and forwards it to the next link at a higher pricing point making his margin.

Role of marketing channel: Besides making the product available to the customer, middlemen perform several other roles and functions. Some of these key roles are summarized below.

Information: Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, Psychograph, media habits and the entry of a new competitor or a new brand and

Changes in customer preferences are some of the information that all Manufacturer's want. Since these middlemen are present in the market place and Close to the customer they can provide this information at no additional cost.

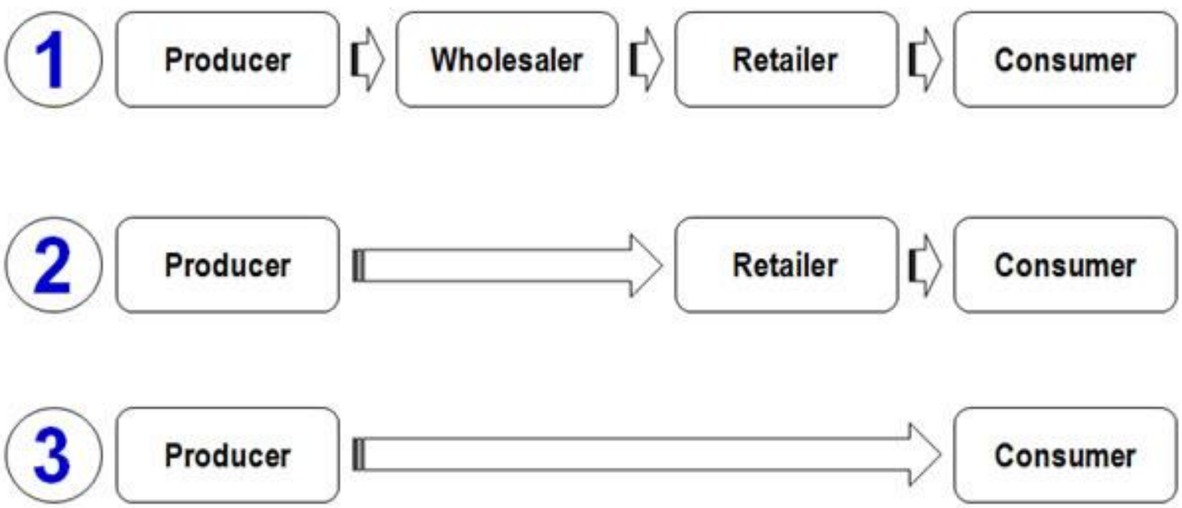
Price stability: Maintaining price stability in the market is another function a Middlemen perform. Many a time the middlemen absorbs an increase in the price Of the products and continues to charge the customer the same old price. This is Because of the intra middlemen competition. The middlemen also maintains price Stability by keeping his overheads low.

Promotion: Promoting the product/s in his territory is another function that Middlemen perform. Many of them design their own sales incentive programmes, Aimed at building customer traffic at their outlets.

Financing: Middlemen finance manufacturer's operations by providing the Necessary working capital in the form of advance payments for goods and services. The payment is in advance even though credit may be extended by the Manufacturer, because it has to be made even before the products are bought, Consumed and paid for by the ultimate customer.

Title: Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at the very moment it arises.

Three stages distribution channel



Channel 1 contains two intermediary levels - a wholesaler and a retailer. A wholesaler typically buys and stores large quantities of several producers' goods and then breaks into the bulk deliveries to supply retailers with smaller quantities. For small retailers with limited order quantities, the use of wholesalers makes economic sense. This arrangement tends to work best where the retail channel is fragmented - i.e. not dominated by a small number of large, powerful retailers

who have an incentive to cut out the wholesaler. A good example of this channel arrangement in the UK is the distribution of drugs.

Channel 2 contains one intermediary. In consumer markets, this is typically a retailer. The consumer electrical goods market in the UK is typical of this arrangement whereby producers such as Sony, Panasonic, Canon etc. sell their goods directly to large retailers and e-trailers such as Comet, Tesco and Amazon which then sell onto the final consumers

Channel 3 is called a "direct-marketing" channel, since it has no intermediary levels. In this case the manufacturer sells directly to customers. An example of a direct marketing channel would be a factory outlet store. Many holiday companies also market direct to consumers, bypassing a traditional retail intermediary - the travel agent.

CHANNEL CONFLICT

Channel conflict is generated when one channel member's actions prevent another channel from achieving its goals.

Channel Conflict: To manage channel conflict the marketer must understand

• The type
• The nature or cause
• Magnitude of the conflict

He should also appreciate that conflict cannot be totally eliminated. It can only be minimized.

Type of Conflict: In any channel arrangement there can be three types of conflict

• Vertical-level conflict
• Horizontal-level conflict
• Multichannel-level conflict.

Vertical-level Conflict: Vertical level conflict occurs when the channel member at one level is in conflict with another member at the next higher or lower level. For example, a conflict between the wholesaler and the manufacturer is a vertical level conflict. Or the major retailers in the town conflicting with the distributor over entitlements are another example of vertical level conflict. Another example of vertical conflict is the non-cooperation and boycott of pharmaceutical companies by their wholesalers and chemists during 1989-90.

Horizontal-level Conflict: Conflict at the same level between channel members is called horizontal-level conflict. Hence, inter stockiest conflict or conflict at the retail level among retailers on issues like pricing and territory jumping are examples of horizontal-level conflict

Multichannel-level Conflict: Sometimes the middlemen come in conflict with the Manufacturer, using both direct and indirect means of distribution. Such a conflict is called multichannel-level conflict. For example, a firm may have its own franchise outlet or its own shop in an area where it may also be distributing the product through established middlemen. The, former is direct distribution while the latter is indirect distribution. The conflict may occur when the franchise prices its products lower than the middlemen, wholesaler, or dealer, or when the firm retails a larger range of products through its own outlet than through the wholesaler orstockists. Likewise conflict occurs when an order has been obtained with the joint efforts of the company's sales force and dealer.

Stages in channel conflict

1. **Latent stage**: This is the first stage where seeds of conflict start germinating.
2. **Felt conflict**: At this stage the members really feel the conflict in terms of frustrations, disappointments, or negative feeling towards the relationships.
3. **Manifest conflict**: Highest stage of conflict i.e. charcterisized by destructive actions like a boycott or total breakdown of communication etc.
4. **Conflict aftermath**: Resolving stage of conflict. If it is genuinely resolved then it's ok otherwise if it is suppressed then it may happen in near future.

Nature and Causes of Conflict: Channel conflict occurs largely due to financial and nonfinancial reasons. These in turn may be traced to the following causes• **Goal Incompatibility**: A major factor causing conflict between manufacturers and Wholesalers are the perceived goal incompatibility between them. For example, while the manufacturer perceives his goals to be market share and profit maximization in the long run, wholesalers perceive their goal to be sales maximization and thereby profit maximization. The latter even prefer to work at higher margins and on short term profitability. This makes the manufacturer accuse the wholesaler of being "fair weather partners" and the wholesaler accuses the manufacturer of squeezing his margins. This is typically what happens with all large manufacturers and their channel members today.

Role Ambiguity: Many a time conflicts occur because of role ambiguity. This is a Common conflict in multichannel conflict. For example, the role of the manufacturer's Sales force and dealer in selling products in major accounts or institutional customers in the territory is often unclear in some companies. This often creates conflict in these Companies' relationship with the channel. A well known automobiles component Manufacturer has such a conflict when one of its distributors started selling directly to Retailers by passing large wholesalers in the territory. The wholesalers revolted and Started pushing the competitors' products. Lack of role clarity of any of the channel Members can be source of potential conflict.

Difference in Perception of the Market: Different perceptions of the market and Economy may also create a conflict between the manufacturer and the middlemen. For example, a manufacturer may perceive an opportunity in the booming Indian middle-class market and introduce new products, multiple brands, and even appoint wholesalers in distant areas. The existing dealers of this firm may not see the picture this way and may perceive the appointment of multiple dealers and downsizing their territory as dilution of their control over the market.

Magnitude of the Conflict: This refers to the seriousness of conflicts. At times the Conflict not be of a magnitude demanding the manufacturer's attention, for example, Inter-dealer conflict in the territory over prices or territory jumping. But when the conflict assumes significant magnitude (this is often reflected by the impact the conflict has on the manufacturer's sales and market share in the territory), the manufacturer must take the initiative to resolve it, for ultimately it is the manufacturer who is the leader of the channel. Moreover, a serious conflict will affect his market share in the territory.

Managing the Conflict To minimize the conflict, the manufacturer may take the following steps:

• **Communication** An-effective way to minimize channel conflict is to have regular Communication between the manufacturers and the channel members. Most Chief Executives today spend time with their channel members to understand market dynamics and communicate the brand's positioning strategies. These meetings are also used to resolve channel members' problems. While these are many a time informal meetings, some companies have an in-house newsletter which they send to all their major dealers. This newsletter informs channel members of happenings in the market-place and also the company's perspective of the products and markets.

• **Dealer Councils**: Another way to resolve conflict is through formation of dealer Councils. Such councils can resolve issues in horizontal-level conflicts and even vertical conflicts. The manufacturer continues to play the key role in these councils. Often the criticism or fear voiced in this regard is that such councils can provide a platform for dealers to jointly voice their grievance against the manufacturer. These councils unite dealers. But, if the manufacturer can keep the councils focused on market leadership and maximization of returns on investment, and is also willing to accept constructive suggestion, the dealer council can become an effective tool for intervening in the marketplace.

• **Super ordinate Goals**: Another way to resolve channel conflict is to evolve super Ordinate goal of maximizing customer satisfaction. If the channel members can be Motivated to perceive Customer satisfaction as the ultimate goal of all members in the

Channel and this in turn leading to profit maximization for all concerned, and then much of the conflict can be resolved. Often super ordinate goals development is easier only when the threat from the other firms is high.

• **Arbitration and Mediation**: Often, the conflict among channel members may be Resolved through arbitration and mediation. Generally in intra middlemen conflict horizontal or vertical, wholesaler vs. retailers)-the manufacturer may arbitrate or mediate. But, when it is between the manufacturer and dealers, arbitration or mediation may be done by independent individuals or institutions like a court or government agency like the drug controller mediating between pharmaceutical companies and their stockiest.

Types of Marketing Channels:

Sole selling agent

Retailer / dealer

Marketer

Broker

C & F agents

Franchises

Redistribution stockiest

Authorized representatives

Distributor / Wholesaler

Commission agents

Semi wholesaler

RETAILING

 Retailing can be defined asthebuying and selling of goods and services. It can also be defined asthetimely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

 the term 'retail' is derived from the French word retailer which means ‘to cut apiece off or to break bulk'. In simple terms, it implies first-hand transaction with the customer.

Functions of retailer

1. Buying
2. Storage
3. Selling
4. Grading and packing
5. Risk-bearing
6. Transportation
7. Financing
8. Sales promotion
9. Information

. **TheAdvantagesof Retail Marketing**

Personal Interaction

Real-Time Control

Serious Customers

Creates economic utility

Yields benefit for consumers, manufactures and wholesalers

TheDisadvantagesof Retail Marketing

Increased cost
Loss of focus

Why is retailing important?

1. Retailers add value to products by making it easier for manufacturers to sell and consumers to buy. It would be very costly for consumers to locate, contact and make a purchase from a manufacturer every time. Without retailing there is no sale to end user for personal purpose
2. Push up sale is not possible without retailing .Retailing is the last activity of any selling strategy to earn revenue Retailers also provide service and information back-up that makes buying less risky and more fun in an environment, Retailers may provide many extra services, from personal shopping to gift wrapping to delivery, that increase the value of products and services to consumers. Corporate retailing helps for brand building

Classification of retailers based on:

1. Product type
2. Relative price
3. Control of outlets
4. Type of store cluster

1. Product Type

Specialty Stores
Departmental Stores
Supermarkets
Convenience Stores
Superstores
Combination stores
Hypermarkets

Specialty Stores:

Carry a typical type of products with a deep assortment within that type
Specialty stores are flourishing increasing use of market segmentation, market targeting and product specialization

Departmental Stores: Carries a wide variety of product types .Each type is operated as a separate department managed by specialist buyers and merchandisers

Supermarkets: Are large, low-cost, low-margin, high volume, self-service stores that carries wide variety of food, laundry, and household products

Convenience Stores:

Are small stores that carry a limited line of high-turnover convenience goods such recognized stores are limited in India but our milk shops, selling related products are in the same category

Convenience Stores

Such stores are located near residential areas and remain open long hours, seven days a week.

The convenience stores may charge high prices to make up for higher operating costs and lower sales volume, but they satisfy an important consumer need

Superstores:

Are larger than the conventional supermarket.

Many leading chains are moving toward superstores because their wider chain assortment allows prices to be 5-6% higher than conventional markets

Combination stores:

Are stores are combined with two related needs like food drug stores, hospital and medicine shop , puncture and tyre shop etc.

Hypermarkets:

Hypermarkets combine discount, supermarket and warehouse retailing.

They operate like a warehouse

They usually give discounts to customers who carry their own heavy appliances and furniture out of the store

2. Relative prices

Discount stores

Off-price retailers

Chain stores

Discount stores:

Sell standard merchandise at lower prices by accepting lower margins and higher volume

Occasional discounts or specials do not make a store a discount store; a true discount store regularly sells its merchandise at lower prices, offering mostly national brands, not inferior goods

Off-price retailers:

They obtain a changing and unstable collection of higher-quality merchandise, often leftover goods, overruns, and irregulars at reduced prices from manufacturers or other retailers

E.g. factory outlets, independent outlet and ware house clubs

They buy at less than regular wholesale and charge customers less than retail

Chain stores:

Are two or more outlets are commonly owned and controlled, employ central buying and merchandising, and sell similar type of merchandise

3. Control of outlets

Corporate chain

Voluntary chain

Retailer cooperative

Franchise organization

Merchandising conglomerate

4. Types of store cluster

Central business districts

Shopping centre

Non-Store Retailing

"Non-store retailing now accounts for more than 15% of all consumer purchases, and it may account for over 1/3 of all sales by the end of the century"

Non-Store Retailing

Direct marketing

Direct selling

Automatic vending

Levels of service

Self-service retailers

Convenience goods e.g. super markets

Nationally branded, fast moving consumer goods e.g. Mc Donald's outlets

Limited –service retailers

Provide more sales assistance

Shopping goods about which customer need information

Their increased operating costs result in higher prices

Full-service retailers

Specialty stores

First class department stores

Have sales people to assist customer in every phase of shopping process

Provide liberal polices like various credit plans, free delivery, home servicing

Retailer Marketing Decisions

- Target marketing and positioning
- Product assortment, service mix, store's atmosphere
- Price
- Promotion
- Place (location)

The Future of Retailing

- New retail forms and shortening retail life cycles
- Wheel-of-retailing concept
- Growth of nonstore retailing
- Mail-order, television, phone, online shopping
- Retail convergence

- The merging of consumers, products, prices, and retailers
- Rise of mega retailers
- Growing importance of retail technology
- Global expansion of major retailers
- Retail stores as “Communities” or “Hangouts”

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WHOLESALING

Wholesaling is a distribution channel function whereon organization buys products from supplying firms with the primary intention of redistributing to other organizations (but, in general, not to the final consumer).

Functions of wholesaling

 Assembling Warehousing or storage Dispersion Transportation Financing Risk-bearing Grading and packing Pricing

Advantages of wholesaling

Selling and promoting Buying assortment building Warehousing Transportation Financing Risk-bearing Market information Management services and advice

Disadvantages of wholesaling

Limited quantity Higher production levels Production consistency Pricing

Types of wholesalers

Wholesaler’s v/s Retailers Volume of transaction Purchase and sale Specialization Scope Knowledge of salesmanship Nature of selling Importance of place

Wholesaler Marketing Decisions

Target market and positioning:

 Targeting may be made on the basis of size of customer, type of retailer, need for service

Marketing mix decisions:

- Product and service assortment
- Pricing: usually markup standard percent
- Promotion: largely disorganized and unplanned
- Place: location, facilities

Trends in Wholesaling

- Price competition is still intense
- Successful wholesalers must add value by increasing efficiency and effectiveness
- The distinction between large retailers and wholesalers continues to blur
- More services will be provided to retailers
- Many wholesalers are going global

Franchising

Franchising is an arrangement where franchisor (one party) grants or licenses some rights and authorities to franchisee (another party). Franchising is a well-known marketing strategy for business expansion.

A contractual agreement takes place between Franchisor and Franchisee. Franchisor authorizes franchisee to sell their products, goods, services and give rights to use their trademark and brand name. And these franchisee acts like a dealer.

In return, the franchisee pays a one-time fee or commission to franchisor and some share of revenue. Some advantages to franchisees are they do not have to spend money on training employees; they get to learn about business techniques.

Examples of Franchising in India

McDonald's

Dominos

KFC

Pizza Hut

Subway

Dunkin' Donuts

Taco Bell

Baskin Robbins

Burger King

Functioning of Franchising

Under a franchise, the two parties generally enter into a Franchise Agreement. This agreement allows the franchise to use the franchisor's brand name and sell its products or services. In return, the franchisee pays a fee to the franchisor.

The franchisee may sell these products and services by operating as a branch of the parent company. It may even use franchising rights by selling these products under its own business venture.

The franchisor may grant franchising rights to one or several individuals or firms. Consequently, if just one person gets these rights, he becomes the exclusive seller of the franchisor's products in a specific market or geographical limit.

In return, the franchisor supplies its products, services, technological know-how, brand name and trade secrets to the franchise. It even provides training and assistance in some cases.

Features of Franchising

Firstly, under a franchising agreement, the franchisor grants permission to the franchise to use its intellectual properties like patents and trademarks.

Secondly, the franchise in return pays a fee (i.e. royalty) to the franchisor and may even have to share a part of his profits. On the contrary, the franchisor provides its goods, services, and assistance to the franchise.

Finally, both parties in a franchise sign a franchising agreement. This agreement is basically a contract that states terms and conditions applicable with respect to the franchise.

Advantages and Disadvantages of Franchising

Advantages to Franchisors

Firstly, franchising is a great way to expand a business without incurring additional costs on expansion. This is because all expenses of selling are borne by the franchise.

This further also helps in building a brand name, increasing goodwill and reaching more customers.

Advantages to Franchisees

A franchise can use franchising to start a business on a pre-established brand name of the franchisor. As a result, the franchise can predict his success and reduce risks of failure.

Furthermore, the franchise also does not need to spend money on training and assistance because the franchisor provides this.

Another advantage is that sometimes a franchisee may get exclusive rights to sell the franchisor's products within an area.

Franchisees will get to know business techniques and trade secrets of brands.

Disadvantages for Franchisors

The most basic disadvantage is that the franchise does not possess direct control over the sale of its products. As a result, its own goodwill can suffer if the franchisor does not maintain quality standards.

Furthermore, the franchisee may even leak the franchisor's secrets to rivals. Franchising also involves ongoing costs of providing maintenance, assistance, and training on the franchisor.

Disadvantages for Franchisees

First of all, no franchise has complete control over his business. He always has to adhere to policies and conditions of the franchisor.

Another disadvantage is that he always has to pay some royalty to the franchisor on a routine basis. In some cases, he may even have to share his profits with the franchisor.

MARKETING COMMUNICATION (PROMOTION)

The process through which consumers are attracted towards the product and services of different manufacturer's id called promotion or marketing communication.

According to kotler- Promotion compasses all the tools in the marketing mix whose major role is persuasive communications.

Integrated Marketing Communication

Integrated marketing communication (IMC) is a continuous effort to plan, execute and evaluate techniques for selling or advertising a product by using traditional and nontraditional methods of promotion.

The following are the major features of promotion decisions −

1. Awareness of target consumer and their preference of media

2. Knowledge of consumers' beliefs that can be related to the product to get the expected response

3. Setting different promotional tools, each tool for specific target but all linked to acquire a common target

4. Coordinating of advertising, sales, promotion and public relation as proportional strategy

5. Continuous broadcasting of information about the product

6. Promotion decisions are made on the basis of characteristics. Such decisions help in target marketing of the product; these decreases the advertising expenses.

Marketing Communication Process

Marketing communication process comprises the following eight stages −

Stage I − Source

Stage II − Encoding

Stage III − Transmission

Stage IV − Decoding

Stage V − Receipt

Stage VI − Response

Stage VII − Feedback

The source is the information which is introduced for the promotion while the feedback is provided by the consumer, which is evaluated and changes are made for promotion.

Promotion Decisions

Promotion decision can be executed by implementing the following steps −

Step 1 − Setting of the objectives

Step 2 − Determining promotion budget

Step 3 − Target Market

Step 4 − The appeal

Step 5 − Promotion Mix

Promotion Mix

Promotion mix is a combination of various marketing techniques, oriented to acquire a common target. It provides a structure for budget allocation for different elements of the promotional mix.

Some elements of promotional mix are as follows −

1. Advertising

Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods, and services by an identified sponsor. It is a way of mass communication. It is the most popular and widely practiced tool of market promotion. Major part of promotional budget is consumed for advertising alone. Various advertising media – television, radio, newspapers, magazines, outdoor means and so forth – are used for advertising the product.

Characteristics of advertising are as follows:

I. Adverting is non-personal or mass communication. Personal contact is not possible.

ii. It is a paid form of communication.

iii. It is a one-way communication.

iv. Identifiable entity/sponsor-company or person gives advertising.

v. It is costly option to promote the sales.

vi. It can be reproduced frequently as per need.

vii. Per contact cost is the lowest.

viii. Various audio-visual, print, and outdoor media can be used for advertising purpose.

ix. It is a widely used and highly popular tool of market promotion.

2. SALES PROMOTION

Sales promotion covers those marketing activities other than advertising, publicity, and personal selling that stimulate consumer purchasing and dealer effectiveness. Sales promotion mainly involves short-term and non-routine incentives, offered to dealers as well consumers. The popular methods used for sales promotion are demonstration, trade show, exhibition, exchange offer, seasonal discount, free service, gifts, contests, etc.

Characteristics of sales promotion are as follows:

I. The primary purpose of sales promotion is to induce customers for immediate buying or dealer effectiveness or both.

ii. Excessive use of sale promotion may affect sales and reputation of a company adversely.

iii. It is taken as supplementary to advertising and personal selling efforts.

iv. It involves all the promotional efforts other than advertising, personal selling, and publicity.

v. It consists of short-term incentives, schemes, or plans offered to buyers, salesmen, and/ or dealers.

vi. It involves non-routine selling efforts.

3. PERSONAL SELLING

Personal selling includes face-to-face personal communication and presentation with prospects (potential and actual customers) for the purpose of selling the products. It involves personal conversation and presentation of products with customers. It is considered as a highly effective and costly tool of market promotion.

Characteristics of personal have been listed below:

I. Personal selling is an oral, face-to-face, and personal presentation with consumers.

ii. Basic purpose is to promote products or increase sales.

iii. It involves two-way communication.

iv. Immediate feedback can be measured.

v. It is an ability of salesmen to persuade or influence buyers.

vi. It is more flexible way of market communication.

vii. Per contact cost is higher than advertising.

viii. It involves teaching, educating, and assisting people to buy.

4. PUBLICITY

Publicity is also a way of mass communication. It is not a paid form of mass communication that involves getting favorable response of buyers by placing commercially significant news in mass media.

William J. Stanton defines: “Publicity is any promotional communication regarding an organization and/or its products where the message is not paid for by the organization benefiting from it.”

It is the traditional form of public relations. Publicity is not paid for by the organization. Publicity comes from reporters, columnists, and journalists. It can be considered as a part of public relations. Publicity involves giving public speeches, giving interviews, conducting seminars, charitable donations, inauguration by film actor, cricketer, politician or popular personalities, stage show, etc., that attract mass media to publish the news about them.

Main characteristic of publicity include:

I. Publicity involves obtaining favorable presentation about company or company’s offers upon radio, television, or stage that is not paid for by the sponsor.

ii. It is a non-paid form of market promotion. However, several indirect costs are involved in publicity.

iii. It may include promotion of new product, pollution control efforts, special achievements of employees, publicizing new policies, etc., for increasing sales. It is primarily concerns with publishing or highlighting company’s activities and products. It is targeted to build company’s image.

iv. Mostly, publicity can be carried via newspapers, magazines, radio or television.

v. Company has no control over publicity in terms of message, time, frequency, information, and medium.

vi. It has a high degree of credibility. Publicity message is more likely to be read and reacted by audience.

vii. Publicity can be done at a much lower cost than advertising. Company needs to spend a little amount to get the event or activity publicized.

viii. Frequency or repetition of publicity in mass media depends upon its social significance or the values for news. Mostly, it appears only once.

5. PUBLIC RELATIONS

The public relations are comprehensive term that includes maintaining constructive relations not only with customers, suppliers, and middlemen, but also with a large set of interested publics. Note that public relations include publicity, i.e., publicity is the part of public relations.

William Stanton defines: “Public relations activities typically are designed to build or maintain a favorable image for an organization and a favorable relationship with the organization’s various publics. These publics may be customers, stockholders, employees, unions, environmentalists, the government, and people in local community, or some other groups in society.” Thus, public relations include organization’s broad and overall communication efforts intended to influence various groups’ attitudes toward the organization. Some experts have stated that the public relations are an extension of publicity

Main characteristic of publicity are as under:

I. Public relations are a paid form of market promotion. Company has to incur expenses.

ii. Public relations activities are designed to build and maintain a favorable image for an organization and a favorable relationship with the organization’s various publics.

iii. It is an integral part of managerial function. Many companies operate a special department for the purpose, known as the public relations department.

iv. It involves a number of interactions, such as contacting, inviting, informing, clarifying, responding, interpreting, dealing, transacting, and so forth.

v. Public relations covers a number of publics – formal and informal groups. These publics may be customers, stockholders, employees, unions, environmentalists, the government, people of local community, or some other groups in society.

vi. Public relations activities are undertaken continuously. It is a part of routine activities.

vii. All the officials, from top level to supervisory level, perform public relations activities. viii. In relation to modern management practices, the public relations is treated as the profession.

Thus, there are five major elements or promotion mix. Each tool/element has its advantages, limitations, and applicability. Depending upon company’s internal and external situations, one or more tools are used. Mostly, company’s promotional programme involves more elements, each element supplements others.
