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B.A. ECONOMICS

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Principles of Marketing

JEEC31

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PRINCIPLES OF MARKETING (JEEC31)

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UNIT-I

INTRODUCTION

Definition and Classification of Markets

To understand the perfect meaning and status of marketing management in present world, there is need to understand the meaning and implications of the terms market and marketing. Hence, these three closely related terms are explained below.

Definition – What is Market?

The term market originated from Latin word marcatus having a verb mercari implying merchandise ware traffic or a place where business is conducted. For a layman, the word market stands for a place where goods and persons are physically present. For him, market is market who speaks of fish market, mutton market, meat market, vegetable market, fruit market, grain market. For him, it is a congregation of buyers and sellers to transact a deal. However, for us as the students of marketing, it means much more. In a broader sense, it is the whole of any region in which buyers and sellers are brought into contact with one another and by means of which the prices of the goods tend to be equalized easily and quickly.

Classification of Markets—Traditional:

Markets can be classified on different bases of which most common bases are: area, time, transactions, regulation, and volume of business, nature of goods, and nature of competition, demand and supply conditions. This classification is off-shoot of traditional approach.

Traditionally, a market was a physical place where buyers and sellers gathered to buy and sell the goods. Economists describe a market as a collection buyers and sellers who transact over a particular product or product class.

A. On the Basis of Area:

Using area, there can be local, regional, national and international markets. Local markets confine to locality mostly dealing in perishable and semi-perishable goods like fish, flowers, vegetables, eggs, milk, and others. Regional market covers a wider area may be a district, a state or inter-state dealing in durables both consumer and non-durables and industrial products, including agricultural produce. In case of national markets the area covered are national boundaries dealing in durable and non-durable consumer goods, industrial goods, metals, forest products, agricultural produce. In case of world or international market, the movement of goods is widespread throughout the world, making it as a single market. It should be noted that due to the latest technologies in transport, storage and packaging, even the most perishable goods are sold all over the world, not that only durables.

B. On the basis of Time:

The time duration is the factor. Accordingly, there can be short period and long period markets. Short-period markets are for highly perishable goods of all kinds and long-period markets are for durable goods of different varieties may be produced or manufactured.

C. On the basis of Transactions:

Taking the nature of transactions, these can be spot and future markets. In spot market, once the transaction takes place, the delivery takes place, while in case of future markets, transactions are finalized pending delivery and payment for future dates.

D. On the basis of Regulation:

Taking regulation, markets can be regulated and non-regulated. A „regulated market is one in which business dealings take place as per set rules and regulations regarding, quality, price, source changes and so on. These can be in agricultural products or produce and securities. On the other hand, unregulated market is a free market where there are no rules and regulations; even if they are there, they are amended as per the requirements of parties of exchange.

E. On the Basis of Volume of Business:

Taking volume of business as a basis, there can be two types of markets namely, Wholesale and Retail. Wholesale markets are featured by large volume business and wholesalers. On the other hand, Retail markets are those where quantity bought and sold is on small-scale. The dealers are retailers who buy from wholesalers and sell back to consumers.

F. On the basis of Nature of Goods:

Taking the nature of goods, there can be commodity markets, capital markets.

Commodity markets deal in favour of material, produce, manufactured goods may be consumer and industrial and bullion market dealing precious metals.

Capital market is a market for finance. These markets can be subdivided into money market dealing in lending, and borrowing of money; Securities‟ market or stock market dealing in buying and selling of shares and debentures and foreign exchange market where it is a forex market dealing buying and selling of foreign currencies may be hard or soft.

G. On the basis of Nature of Competition:

Based on competition or competitive forces, there can be variety of markets for a product or service. However, only two are the most important namely, perfect and imperfect.

A perfect’ market is one which is characterized by:

(a) Large number of buyers and sellers

(b) Prevalence of single lowest price for products those are „homogeneous‟

(c) The perfect knowledge on the part of buyers and sellers

(d) Free entry and exit of firms in market. These types for markets exist hardly.

The other one is ‘imperfect’ which is featured by:

(a) Products may be similar but not identical

(b) Different prices for a class of goods

(c) Existence of physical and psychological barriers on movement of goods

(d) No perfect knowledge of products and other dimensions on the part of buyers and sellers.

H. On the basis of Demand and Supply:

Based on demand and supply conditions or hold of buyers and sellers, there can be seller’s and buyer’s markets. A seller’s market is one where sellers are in driver’s seat and the buyers are at the receiving end. In other words, it is a situation where demand for goods exceeds supply. On the other hand, buyer‟s market is one where buyers are in commanding position. That is, supply is exceeding the demand for the goods.

Classification of Markets—Modern:

The modern classification is based on the consumer orientation because in modern economic system consumer is the king-pin and a decisive driving force. Accordingly, the marketing experts have identified markets based on such broad-based classification namely, consumer, business, global and, non-profit and government markets.

Consumer Markets:

These markets specialize in selling mass consumer durable and nondurable products and services devote good deal of time in an attempt to establish a superior brand image. These items may be shoes, apparels, clothing, household items like television, sound system, washing machines, fans, on one hand and tea, coffee, tea powder, coffee powder, biscuits, bread spreads, dental cream, personal care beauty-aids, rice, wheat, oat, gourmet mixes and so on the other.

Much of the brand’s strength rests on developing a superior product and packaging, ensuring its availability and backing with engaging communications and reliable service.

This task of image building is really ticklish as consumer market goes on changing its colour over the period of time.

Business Markets:

This is a market of business buyers and sellers. Business buyers buy goods with a view to make or resell a product to others at a profit. Therefore, business marketers are to effectively demonstrate as to how their products will help the buyers in getting higher revenue or lower costs. Therefore, companies selling business goods and services often face well-trained and well informed professional buyers who are skills in evaluating competitive offerings.

These markets deal in raw-materials, fabricated-parts, appliances, equipment's, supplies and services that become the part of end products of the business consumers. Advertising plays its due role. However, personal selling has the upper hand. Product price, quality and business suppliers‟ reputation have significant role.

Global Markets:

Global markets consist of buyers and sellers all over the world. The companies selling goods and services in the global market place play global gain involving decisions and challenges.

To be successful, they must decide as to which country to enter? How to enter each country? That is, as an exporter, license partner of a joint venture, contract manufacturer or only manufacturer, how to adapt their product and source features to each country?

How to price their products in different countries?

And how to adapt their communications to differing cultures of various countries?

These decisions are to be made in the face of differing requirements for buying, negotiating, owning, and disposing of property under different culture, language, and legal and political systems; and the foreign currency that is subject to fluctuations having its own implications. It is needless to say that these goods and services both consumer and industrial or business.

Non-profit and Government Markets:

Companies do sell their products and services to non-profit organizations like temples, churches, universities, charitable institutions and to governmental departments at local, state and central level. The companies that market their products and services have to consider the price aspect because these buyers have limited purchasing power.

Again, lower prices badly affect the features and quality of products and services if an attempt is made to design such an offering. Hence, these buyers buy through bidding where lowest bid is favoured as there is no alternative. They also need longer period of credit.

Objectives of Marketing Management

Some of the major objectives of marketing management are as follows: 1. Creation of Demand 2. Customer Satisfaction 3. Market Share 4. Generation of Profits 5. Creation of Goodwill and Public Image. The basic purpose of marketing management is to achieve the objectives of the business. A business aims at earning reasonable profits by satisfying the needs of customers.

In the light of this statement, we can highlight the objectives of marketing management as follows:

1. Creation of Demand:

The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

2. Customer Satisfaction:

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers" needs. Modern marketing is customer- oriented. It begins and ends with the customer.

3. Market Share:

Every business aims at increasing its market share, i.e., the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

4. Generation of Profits:

The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. Creation of Goodwill and Public Image:

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

The marketing manager attempts to raise the goodwill of the business by initiating image-building activities such a sales promotion, publicity and advertisement, high quality, reasonable price, convenient distribution outlets, etc.

Importance of Marketing

Importance of marketing can be studied as follows:

(1) Marketing Helps in Transfer, Exchange and Movement of Goods:

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries" viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen "Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer."

(2) Marketing Is Helpful In Raising And Maintaining The Standard Of Living Of The Community:

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living". Professor Malcolm McNair has further added that "Marketing is the creation and delivery of standard of living to the society". By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has in fact, revolutionized and modernized the living standard of people in modern times.

(3) Marketing Creates Employment:

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardisation, etc. In each such function different activities are performed by a large number of individuals and bodies.

Thus, marketing gives employment to many people. It is estimated that about 40% of total population is directly or indirectly dependent upon marketing. In the modern era of large scale production and industrialisation, role of marketing has widened.

This enlarged role of marketing has created many employment opportunities for people. Converse, Huegy and Mitchell have rightly pointed out that “In order to have continuous production, there must be continuous marketing, only then employment can be sustained and high level of business activity can be continued”.

(4) Marketing as a source of Income and Revenue:

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, “Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realise many dollars in total sales volume. However, someone must actually go into the market place and obtain dollars from society in order to sustain the activities of the company, because without these funds the organisation will perish.”

Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

(5) Marketing Acts as a Basis for Making Decisions:

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets.

There was a direct link between producer and consumer. In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialised activity along with production. As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas:

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing is Helpful in Development of an Economy:

Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving. The marketing organisation, more scientifically organised, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

Marketing and Selling

Marketing plays a major role in creating new channels or clients and maintaining the existing channels, which contributes to more sales. Selling involves making sales so as to increase the company's revenues. Despite their differences, the two functions are dependent on each other. Marketing and selling are both activities aimed at increasing revenue. They are so closely entwined that people often don’t realize the difference between the two. This is particularly true in the case of small businesses, which often equates marketing with selling deliberately due to organizational and resource limitations. However, the fact is that they are two very different business activities.

Marketing is an ancient art and is present everywhere. Good marketing has become an increasingly vital ingredient for success. It is a comprehensive term, which includes a lot of research in selling, advertising and distributing the goods. Marketing is a series of different steps and processes which help in getting the products to the consumer from the producer.

In the business world, marketing is defined by the four P's:

- Product
- Price
- Place
- Promotion

It is the process of planning and executing the product idea with the goal of customer satisfaction. Marketing is a proactive approach done often before the product or service is produced and sold. It gives importance to the consumer's wants and satisfaction. In the initial stage, marketing decides what the consumers want and then it decides how the commodity can be profitably produced and finally delivered to consumers for satisfying their needs. It takes into consideration both the internal and external factors. The efforts are buyer oriented and emphasize the satisfaction of the buyer's needs effectively. It refers to an integrated approach towards achieving long term objectives. Profit is sought by ensuring customer's satisfaction.

The term sale is a process, whereas the term selling is an act that transfers the ownership of a product from the manufacturer or the vendor to the consumer. It is a part of marketing, hence it is not considered as a comprehensive term. It is said to be the last leg of marketing activities, where the product is finally presented to customers through retailing. Selling is the ultimate result of marketing. It is the act of closing a sale or when the product has been purchased by the end consumer. It transfers the ownership of the purchased goods to the buyer. It emphasizes on the products. The products are first produced and then efforts are made for their profitable selling. It only takes into consideration internal factors such as production and distribution of goods. The efforts are seller oriented and emphasize their needs. The profits are sought by ensuring higher sales volume.

BUYING

We are living in a world that is most unstable and dynamic. World is not only changing but the rate of change is accelerating. We are experiencing change in our daily life and in marketplace too. Consumer's needs, wants, expectations are changing more rapidly; consumers are increasingly demanding better quality and reliability in products and services; consumers

Desire for more personalised services is increasing; consumers are becoming more social, more time efficient, more demanding, and more selective.

The set of procedures used to identify products for purchase, verify quality and compliance of products and vendors, carry out purchasing transactions, and verify that operations associated with purchasing have been executed appropriately. Different organizations have buying processes of varying complexity, depending on the industry in which they work and the nature of the products being purchased.

Kind of Buyers

The business organisations are required to identify different types of consumers/buyers in their target market and understand the changes in their buying behaviour. It enables business organisations to make desired products or services available in the marker, so that, new customers can be attracted and existing customers can be retained.

Today, in this post we are describing the different types of consumers/buyers that exists within every market for new products and general classification of buyers for existing products.

Types of buyers for new products

1. Innovators
2. Early Adopters
3. Early majority
4. Late Majority
5. Laggards

Innovators

This group of buyers read journals and magazines extensively to keep themselves updated with innovative ideas, latest technologies, and new products. They like to experiment with anything new representing the latest technologies. They may influence other buyers in their same group, but they are the smallest group of early buyers. They represent about 2 percent of any market.

Early Adopters

They are individuals or businesses who use new product or technology after innovators and before others. This group of buyers represents true opinion leaders who set examples by their decisions. They are likely to pay more for new product that improve their life- style, raise their social status, or improve their business efficiency or reduce cost.

Early Majority

This group of people adopt a new product after seeing it used successfully by innovators and adopters. They are more conservative but open to new ideas, active in community, less technology-driven than innovators and early adopters. They represent 34 per cent of any market.

Late majority

This group of people adopt a new product only after seeing that the majority of the population already has. They wait until prices fall and product is universally accepted.

People of this group are typically old, less affluent, less educated, fairly conservative, and less socially active than innovators, adopters, and early majority. They also represent 34 percent of any market.

Laggards

The people of this group are excessive traditionalists. They adopt product when the price is at its bottom, competition is intense, or product become an absolute need. They are very conservative, oldest, and least educated. They represent 16 percent of any market.

Problems of Buying/ Consumer Decision Making Process

Consumer decision making process consists of a series of steps which a consumer undergoes. Consumer decision making process generally involves five steps – Problem recognition, information search, evaluation of alternatives, purchase, and post purchase evaluation.

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 recognised, 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. An individual recognise problem through information processing arising as a result of internal and external stimuli. After problem recognition the action to solve the problem depends on the magnitude of discrepancy between the current state and desired state and the importance of the problem for the concerned consumer. If the problem is highly important for an individual and there is high discrepancy between current state and desired state of the individual, he will start the purchase process.

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.

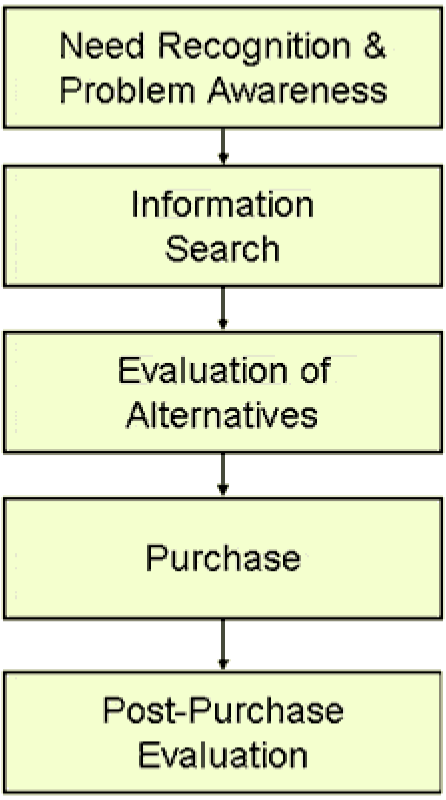
5. Post-purchase Use and Evaluation

Once the buyer makes a decision to purchase a product or service there can be several types of additional behaviour 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.

Problems of Buying

MARKETING & BUYER

How do customers buy? Research suggests that customers go through a five-stage decision-making process in any purchase. This is summarised in the diagram below



1. Problem/need recognition

This is often identified as the first and most important step in the customer's decision process. A purchase cannot take place without the recognition of the need. The need may have been triggered by internal stimuli (such as hunger or thirst) or external stimuli (such as advertising or word of mouth).

2. Information search

Having recognised a problem or need, the next step a customer may take is the information search stage, in order to find out what they feel is the best solution. This is the buyer's effort to search internal and external business environments, in order to identify and evaluate information sources related to the central buying decision. Your customer may rely on print, visual, online media or word of mouth for obtaining information.

3. Evaluation of alternatives

As you might expect, individuals will evaluate different products or brands at this stage on the basis of alternative product attributes – those which have the ability to deliver the benefits the customer is seeking. A factor that heavily influences this stage is the customer's attitude. Involvement is another factor that influences the evaluation process. For example, if the customer's attitude is positive and involvement is high, then they will evaluate a number of companies or brands; but if it is low, only one company or brand will be evaluated.

4. Purchase decision

The penultimate stage is where the purchase takes place. Philip Kotler (2009) states that the final purchase decision may be „disrupted" by two factors: negative feedback from other customers and the level of motivation to accept the feedback. For example, having gone through the previous three stages, a customer chooses to buy a new telescope. However, because his very good friend, a keen astronomer, gives him negative feedback, he will then be bound to change his preference. Furthermore, the decision may be disrupted due to unforeseen situations such as a sudden job loss or relocation.

5. Post-purchase behaviour

In brief, customers will compare products with their previous expectations and will be either satisfied or dissatisfied. Therefore, these stages are critical in retaining customers. This can greatly affect the decision process for similar purchases from the same company in the future, having a knock-on effect at the information search stage and evaluation of alternatives stage. If your customer is satisfied, this will result in brand loyalty, and the Information search and Evaluation of alternative stages will often be fast-tracked or skipped altogether. On the basis of being either satisfied or dissatisfied, it is common for customers to distribute their positive or negative feedback about the product. This may be through reviews on website, social media networks or word of mouth. Companies should be very careful to create positive post-purchase communication, in order to engage customers and make the process as efficient as possible.

Methods of Purchasing Materials

Some of the methods of purchasing are discussed as follows:

1. Purchasing by Requirement:

This method refers to those goods which are purchased only when needed and in required quantity. The goods which are not regularly required are purchased in this way. On the other hand it refers to the purchase of emergency goods. These goods are not kept in store. Purchasing department must be in knowledge of the suppliers of such goods so that these are purchased without loss of time.

2. Market Purchasing:

Market purchasing refers to buying goods for taking advantages of favourable market situations. Purchases are not made to meet immediate needs but are acquired as per the future requirements. This method will be useful if future needs are estimated accurately and purchases are made whenever favourable market situations arise. The market situation is constantly studied for forecasting price trends.

The advantages of this method are: lower purchase prices, more margin on finished products due to lower material cost and saving in purchase expenses. This method suffers from some limitations: losses in case of wrong judgment, fear of obsolescence, higher storing expenses due to more purchases.

3. Speculative Purchasing:

Speculative purchasing refers to purchases at lower prices with a view to sell them at higher prices in future. The attention in this method is to earn profits out of price rises later on. The purchases are not made as per the production needs of the plant rather these are far in excess of such requirements. A cloth mill may purchase cotton in the market when prices are low with the attention of earning profits out of its sales when prices go up.

Speculative purchasing should not be confused with market purchasing. The former is done to earn profits out of future price rises whereas the latter is concerned with purchasing for own needs when favourable market situations exist. Though speculative purchasing may result in profits but there are chances of prices going down in future, fear of obsolescence and incurring higher storage costs.

4. Purchasing for Specific Future Period:

This method is used for the purchase of those goods which are regularly required. These goods are needed in small quantity and chances of price fluctuations are negligible. The needs for specific period are assessed and purchases made accordingly. The requirements for such purchases may be assessed on the basis of past experience, period for which supplies are needed, carrying cost of inventory etc.

5. Contract Purchasing:

In the words of Spriegel it is "the purchasing under contract, usually formal, of needed materials, delivery of which is frequently spread over a period of time." Under this method a specific quantity of materials is contracted to be purchased and delivery is taken in future. Even though the goods are procured in future but the price and other terms and conditions are fixed at the time of contract. This method may be useful when price rises in future may be expected and material requirements for future may be accurately estimated.

6. Scheduled Purchasing:

Under this method the suppliers are supplied a probable time schedule for material requirements so that they are in a position to arrange these in time. An accurate production schedule is prepared for estimating future material needs. The suppliers are informed of probable needs and orders are sent accordingly. The schedule provided by the purchaser to the vendor is not a contract. This is only a gentleman's agreement for terms and conditions of purchases. The main objectives of this method are: minimum inventory, prompt service. low prices, quality goods etc.

7. Group Purchasing of Small Items:

Sometimes a number of small items are required to be purchased. The prices of these items are so small that costs of placing orders may be more than prices. In such situations the buyer places order with a vendor for all these items. The purchase price is agreed to be by adding some percentage of profit in the dealer‟s cost. This method will be used only when dealer‟s records are open to inspection for determining his cost. This type of purchasing reduces the cost of the buyer by eliminating much clerical work.

8. Co-operative Purchasing:

Small industrial units may join to pool their requirements and then place bulk orders with dealers. This will help them in availing rebates on large quantity purchases, cash discounts and savings in transportation costs. After receiving the materials these are divided among the member units. Co-operative purchasing helps small units in availing the benefits of bulk purchasing.

Transportation Definition

Merchandising establishments completed the chain with delivery to the consumers. The manufacturers limited themselves to the production of goods, leaving marketing and distribution to other firms. Warehousing and storage can be considered in terms of services for the production process and for product distribution.

Transportation - Warehousing

At times, the demand and supply for products can be unusually high. At other times, it can be unusually low. That's why companies generally maintain a certain amount of safety stock, oftentimes in warehouses. As a business owner, it would be great if you didn't have excess inventory you had to store in a warehouse. In an ideal world, materials or products would arrive at your facility just in time for you to assemble or sell them. Unfortunately, we don’t live in an ideal world. Toys are a good example. Most toymakers work year round to be sure they have enough toys available for sale during the holidays. However, retailers don’t want to buy a huge number of toys in July. They want to wait until November and December to buy large amounts of them.

Consequently, toymakers warehouse them until that time. Likewise, during the holiday season, retailers don’t want to run out of toys, so they maintain a certain amount of safety stock in their warehouses. Some firms store products until their prices increase. Oil is an example. Speculators, including investment banks and hedge funds, have been known to buy, and hold, oil if they think its price is going to rapidly rise. Sometimes they go so far as to buy oil tankers and even entire oil fields (Winnett, 2004).

You might not know where the tiny town of Cushing, Oklahoma, is. But oil producers and traders around the world do. Cushing is one of the largest oil storage areas in the United States. Storage tanks like these cover more than nine square miles on the outskirts of the town (Davis, 2009).

A distribution centre is a warehouse or storage facility where the emphasis is on processing and moving goods on to wholesalers, retailers, or consumers1. A few years ago, companies were moving toward large, centralized warehouses to keep costs down. In 2005, Walmart opened a four-million-square-foot distribution centre in Texas. (Four million square feet is about the size of eighteen football fields.)

Today, however, the trend has shifted back to smaller warehouses. Using smaller warehouses is a change that’s being driven by customer considerations rather than costs. The long lead times that result when companies transport products from Asia, the Middle East, and South America are forcing international manufacturers and retailers to shorten delivery times to consumers (Specter, 2009). Warehousing products regionally, closer to consumers, can also help a company tailor its product selection to better match the needs of customers in different regions.

How Warehouses and Distribution Centres Function

So how do you begin to find a product or pallet of products in a warehouse or distribution centre the size of eighteen football fields? To begin with, each type of product that is unique because of some characteristic—say, because of its manufacturer, size, color, or model—must be stored and accounted for separate from other items. To help distinguish it, its manufacturer gives it its own identification number, called a SKU (stock-keeping unit). Shows an example of a SKU that appears on a box of products. When the product enters the warehouse, it is scanned and given an “address,” or location, in the warehouse where it is stored until it is plucked from its shelf and shipped.

Warehouses and distribution centres are also becoming increasingly automated and wired. As you learned in some warehouses use robots to picks products from shelves. At other warehouses, employees use voice-enabled headsets to pick products. Via the headsets, the workers communicate with a computer that tells them where to go and what to grab off of shelves. As a result, the employees are able to pick products more accurately than they could by looking at a sheet of paper or computer screen.

Essential Functions of Marketing: Transportation and Storage

Two important functions are performed under this classification viz., transportation, and storage and warehousing. These functions create time and place utilities. It has already been explained that marketing is concerned with taking the goods from one place to another. This is attained through the function of transport. Similarly goods are retained by the producers and wholesalers and released when they are needed. This is achieved through the function of storage.

These two functions are explained as follows:

(1) Transportation:

Meaning:

Transportation is indispensable function of marketing. Transportation provides the physical means of carrying goods and persons from one place to another. In other words, it is concerned with carrying the goods from the places of production to the places of their consumption. Transportation creates place utility and regularises supply from one place to another. Transportation greatly facilitates the performance of marketing functions like buying, assembling, selling, storage and warehousing etc. The entire economy and its development is dependent on a well- knit system of transportation.

Importance of Transportation:

It is said that if agriculture and industry are the body and bones of a nation, transport and communications are its nerves. Modern industrialisation would have been a dream without a proper system of transportation.

Transportation widens the markets, raises the scale of operations, increases the mobility of labour and capital, provides growth and distribution of wealth and encourages specialisation and division of labour.

Following Points Highlight the Importance of Transportation:

1. Transportation plays significant role in quick industrialisation and development of agriculture.

2. It plays important role in the process of stabilisation of prices in different regions.

3. It is helpful in increasing internal and foreign trade. The development, of air and ocean transport has greatly increased foreign trade.

4. Transportation has greatly helped in increasing standard of living of people by providing goods even at far flung areas.

5. Transportation is one of the important considerations to be taken into account in deciding location of an industrial unit.

6. Transportation has helped to a great extent in the development and promotion of industries producing perishable articles like fishing, poultry farming, dairy farming, etc. Efficient and quick means of transport have made it possible to carry these goods to far away distances without any deterioration in their quality.

7. Transportation has greatly benefitted consumers by providing them large variety of products at lower costs.

8. Transportation has provided employment to millions of people and employment opportunities are further increasing with the increased means of transport.

From the above mentioned points it is clear that transportation is vital and essential component of an economy. The advancement of a nation is greatly attributed to its transport system.

Storage and Warehousing:

Meaning of Storage:

Storage is a process concerned with retaining and preserving the goods. Usually there is a time gap between production and consumption of goods. This gap is the concern of the function of storage. Storage makes available the goods as and when they are required and it ensures continuous and unrestricted supply and flow of goods in the market. In this manner, it creates place utility also by holding and retaining of goods at different places.

Importance of Storage:

Storage is an essential function of marketing. Its importance can be studied as follows:

1. Now-a-days production is carried on in anticipation of demand of the product in the market. All the goods are not sold off immediately. For the unsold stock of goods storage is indispensable.

2. Many commodities are seasonal in nature. They are produced during a particular season. In order to make their availability throughout the year, they have to be stored. This is usually done in case of agricultural produce.

3. Many products are produced throughout the year, but their demand arises only during a particular season in the year. In such cases products have to be stored and released when the season arrives. Wool and woollen garments are examples of this kind.

4. Storage is important from the point of view of producers as they have to store the raw material in order to carry production without any obstruction and delay on account of non-availability of raw material.

5. Storage of goods is necessary from the point of view of wholesalers as well as retailers. Wholesalers have to supply these goods regularly to retailers and retailers to consumers.

6. Storage acts as a process of equaliser of prices especially when the prices are going downward in the market. Farmers therefore can get better prices for their products because they can store their products in warehouses.

7. In case of perishable goods also, storage plays a significant role. Commodities like fruits, butter, eggs, vegetables etc., can be stored in cold storage to ensure their regular supply throughout the year.

8. Certain products which can get higher prices in future are stored for a longer period such as rice, tobacco, liquor etc.

9. Some goods require subsequent processing in order to bring them in consumable state, e.g., tea, tobacco, coffee, etc. Certain processes like curing and blending etc., are to be carried out. These products must be stored before such processes are carried out.

10. Storage is necessary in case where goods are produced at a distance from the customers. These goods must be stored near the market, so that unrestricted supply to be made to consumers. From the above, it is clear that storage is an integral segment of the marketing process. It tends to adjust the forces of demand and supply and acts as a stabiliser of prices.

Modes of Transportation

There are various means to carry products from one place to another. Land transport, water transport, air transport and pipeline transport are the major means of transportation. Each of them has its own features, merits and demerits. Proper means of transportation should be selected according to necessity, the nature of goods, cost, time for transportation, reliability, capacity, access, security etc. We can classify and describe the different modes of transportation in the following ways mentioned below:

i. Land Transport System

Land transport is the oldest and more practiced system. The means, which are used to carry people and goods through land transport are called land transportation. Land transportation is again divided in two classes as road transport and railway transport.

ii. Road Transport

Road transport is being used from ancient time and it is very useful and important. The means of road transport are: a). men and labours, b). animals such as mule, horse, sheep, goat, camel etc. c). cart, lorry etc. d). the modern automobile such as motor, bus, truck, tractor, tempo, trolley bus, jeep etc are also used to transport people and goods. People, cloths, paper materials, books, machines and machinery, animals, fresh fruits and other goods are transported from one place to another.

Labours or porters are used to carry goods to remote places where modern means of transport have not reached. In some places horse, mule, sheep, goat, camels etc. are used to transport goods. Rickshaw, cycle, cart, lorry etc. are also used in transporting goods and people. But the means of transport like bus, truck, tractor, motor, etc. have become very popular means of transporting goods and people. Nowadays, motor, truck, bus, jeep etc. have become synonyms of road transport.

iii. Railway Transport

The other important means of land transport is railway. It is used to transport goods and people from one place to another. Development of railway transport helps much to develop industry, commerce and whole economy of any country. It is very useful in transporting big and heavy goods and materials. Mostly railway is used in transporting big and heavy materials such as big machines, coal, food grain, chemicals, automobiles, iron, steel etc.

2. Water Transport System

Water transport is taken as an ancient means of transport. It was developed and used to transport goods and people from one country to another before the development of air transport. It is also operated to transport goods from one part to another of any country through big canals, rivers or sea. Water transport is a system of transporting goods and people from one place to another by ship, boat, steamer, motorboat etc. through canals, rivers, lake, sea, ocean etc. Water transport is suitable to transport petroleum products, chemicals, iron, machines, tools, heavy equipment, coal and several heavy goods.

3. Air Transport System

Air transport is the fastest modern means of transport. Air transport was started after First World War, especially after 1918. In the beginning until 1960, only passengers, mails, perishable goods and costly light goods were transported by air transport. But nowadays, air transport system has also become suitable for other industrial and commercial products. According to the research carried out by Air Canada on air fair market, air transport system has been proved cost effective and practical means for transporting industrial and business goods. The importance of air transport has gradually growing. This is the fastest speed means for transporting passengers and goods to different parts within a country and different countries of the world. Mostly, flowers of different species, perishable edibles, technical goods, emergency parts and parcels, equipment, mails and other valuable goods are transported by air transport system.

4. Pipeline Transport System

Pipeline is another important means of transport. Raw oil, Petroleum products, processed coal, drinking water, natural gas etc. are transported from one place to another place. Pipeline transport may be constructed underground or underwater. This means of transport is very useful for quick transportation of liquid materials even through high hills or plane land. This is regular and reliable means of transport. It needs less manpower. It does not need packaging service and cost and it can be operated 24 hours. It becomes long lasting in the condition of proper repair. But construction of pipeline system take huge investment and it can transport only liquid materials.

5. Rope-way Transport System

Rope-way is another means of transport. It can transport people and goods. It can be operated in the places where road construction is impractical and costly. Certain limit of goods or people can be transported with the help of electricity. In the hilly remote countries, rope-way transport system may be suitable means.

Role and Importance of Transportation

Transportation is the means to carry people and goods from one place to another. This has become very important in each stage of human civilization. If the present means of transportation were not developed, situation of the world would be totally different. Transportation has contributed much to the development of economic, social, political and cultural fields and uplifting their condition. Speedy industrialization is impossible without development of transportation. It is unavoidably necessary to promote transport system for the proper development of agricultural sector and rural areas. Without development of transportation neither mass production nor distribution is possible.

Transportation helps in mass production. Whether it is to purchase and bring raw materials or it is to distribute finished goods, one or the other means of transport is necessary. This expands old markets and creates new ones. As a result, demands for goods increases and production should also be increased. The contribution of transportation is very important to transport commodities to nooks and crannies of the world in a little time. If the development of transportation was not made, market would be limited in local areas and production would be limited to meet local needs only. As a result, economy of each country would remain in undeveloped condition.

Transportation helps much to the development of different industries, which produce perishable goods, such as fisheries, poultry firms, horticulture, dairy etc. Transport carries the perishable goods produced by such industries to the consumers living in different distant places in time. Otherwise such products would not be possible to supply to the consumers. The role and contribution of transportation is very important in marketing. The functions of transport in marketing can be discussed as follows

1. Physical Supply of Products

Transportation carries necessary raw materials to factory for production of goods and supplies finished goods to consumers. It creates place and time utility of goods by transporting from one place to another. It easily carries finished to the hands of those who need and use them. This significantly increases aggregate sales of goods. In fact, transport is such a key of marketing, which helps in carrying goods to the scattered consumers in different places, narrows the gap between producers and consumers and facilitates to distribute goods to the consumers at minimum cost and time.

2. Specialization

Transportation facility encourages division of labour and specialization on geographical or regional basis. Transportation cost highly affects localization of industries. Production of goods may centre at such place where the environment is the best and production cost is minimum. This makes maximum utilization of local resources possible, which is both economically and socially necessary.

3. Mobility of Labour and Capital

Transportation facility provides mobility to labour and capital. If more labour force is available at any place, transport helps to carry it economically to necessary place. The means of transport carry labours from one place to another. This encourages labour and capital to use and invest in more productive sectors.

4. Stabilization in Price

Transportation helps to bring stability in price of different products. It transports goods from more supplied places to scarcely supplied areas. This establishes coordination between demand and supply, and brings stability in prices. It helps to supply necessary goods regularly to the consumers. Besides this, consumers get necessary goods at lower prices, because it encourages competition among producers and makes mass production at lower cost possible.

5. Other Importance

Beside economic importance, transportation has also social, political and cultural importance. It establishes social and utility by narrowing geographical distance. It consolidates social and cultural utility and strengthens national integration. It helps to establish relationship with foreign countries. Transportation also helps widen knowledge and skill in different sectors. In this way, it helps establish social utility, uniformity and integrity and strengthens national security. So, transportation plays an important role in physical distribution system. It has also an important role in marketing function. In the lack of transportation, neither mass production nor distribution is possible. Transportation is important in social, economic, political and cultural aspects.

Land transport:

1. Takes place on land, using trucks, buses, trains, smaller vehicles like cars, etc. May also involves transport of liquids/gases through pipes.
2. Commonly preferred for smaller distances
3. Vehicles run on diesel, petrol (or gasoline), electricity or natural gas (CNG, etc.)
4. Commonly preferred form of public transport
5. Generally cheap for smaller distances

Water transport

1. Takes place in water bodies: streams, lakes, rivers and oceans. It uses boats, ships, etc.
2. Generally preferred for long distance cargo movement and /or tourism (cruise)
3. boats/ships run on liquid fuel (diesel)
4. not preferred for public transport, unless it is the only available option for mass transport, for example: for connecting smaller islands.
5. cheapest form of mass transport for long distance. However, it is also the slowest.

Air transport:

1. Takes place in air using airplanes
2. Preferred for long distance transport, esp. for human beings and smaller cargo
3. Airplanes run on liquid fuel, generally a special blend known as jet fuel
4. Not used for mass public transport
5. Fastest option for travel, however it is a costly option

Standardization

Standardization plays an important role in marketing. It makes selling and buying functions easy and more effective. Mostly, buying and selling of products is done on the basis of grade or mark. If quantity, size, quality of goods is already known, only price remains to be negotiated.

Grading and standardization is well understood and practiced at all India level for engineering and consumer goods. It is yet to become popular for rural producer. Efforts are made by standard organization to popularize the standards. Agmark is one of the important steps in popularizing quality moment by gradation. There are many advantages of grading. The important one is to obtain fair price to producer and justice to the consumer. Agmark "grades give full specifications of products for various commodities". These are yet to become with farmers and consumers. Bureau of Indian Standards, ISO, also have develop the grades and standards for agro produce which are to be made popular. Both producer and consumer awareness to grades need to improve a lot, media of TV, newspapers to be used to give to give publicity. At the same time awareness regarding misuse of labels is to be created. The role of Agriculture Universities, Co- operative moment, Village Panchayat is very important in spreading awareness information and knowledge regarding grades and standards for commonly used agricultural produce.

Standardization

Standardization is the process of fixing certain norms for the product. These norms are established by customs or tradition or by certain authority. It involves determination of basic characteristic of a product on the basis of which the product can be divided into various groups. It also means determining the standard of product to be produced with regard to size, colour, form, weight, shape and quality. Standards are model products which form the basis of comparison. Without standardization the rule of caveat (law) prevails and there may be confusion and unfairness. The term of standardization is used in a broader sense. Standardization is a application of standard to goods meant for marketing with a view to further sub dividing them into several grades or classes. Thus standardization means making the quality specification of the grade uniform among buyers and sellers over space and time. According to National Commission on Agriculture standardization is defined as, "the determination of basic limits or grades in the form of specification to which manufactured goods must conform and a class into which the product of agriculture and the extra active industries may be sorted is known as standardization."

Basis of standardization:

Agricultural goods are standardized on the basis of different factors, based on which they are classified into different grades. The following are some of the factors on the basis of which standards are set:

1) On the basis of quantity, weight and measures.
2) On the basis of size and shape.
3) On the basis of color such as apples.
4) On the basis of quality such as food grains and cotton.

Grading System Advantages and Importance of Grading:

Grading in general is helpful to all the stockholders in agro-related activities: the farmers, traders, co-operative and the ultimate consumers. The advantages of grading are:

1. Production of Large Scale: Goods are produced on a large scale, as grading of goods helps in increasing its demand. It becomes easy for a producer to produce these goods on a large scale as goods are graded.

2. Increase in Sales: Customers do not bother to enquire about the goods graded, as they are very easy to be sold. Therefore, marketing of graded goods becomes easy.

3. Quality Certainty: Certainty provides producers a reasonable price for their products and provides standard goods of uniform quality to customers at reasonable prices. It helps the producers as well as the buyers.

4. Helpful in Financial Management: For the financial management of the enterprise graded products are very helpful. These products can be used easily, as security loans can be arranged as security of these products.

5. Helpful in Future Contracts: Supply contracts may be entered into future for graded products as the identification of graded products become easy and different types of products are divided into different groups.

6. It makes price more reasonable to grades and there will be difference in price as per quality.

7. Simplification of storage and marketing of different grades.

7. Loans can be given based on stored goods as per the grade and'

8. Easier to understand quality available for each grade in case of bulk sale.

9. Based on grades, quality and quantity, it is easy to estimate value for loans against stock.

10. Price comparison by consumers is easy to due to grade identity. The buyer expects least or no risk in his purchases.

11. Grading helps to create perfect competition in the market as it will set a good standard of equivalent grades and materials competition.

12. Overall marketing cost can be reduced as repeat evaluation, spot separation (grading) and doubts in the mind on consumers are avoided.

Types of Grading:

Grading may be done on the basis of fixed standards or variable standards. It is of three types:

1. Fixed or mandatory grading: Under this the goods are sorted out according to the size, quality and other characteristics which are of fixed standards. These do not vary over time and space. It is mandatory for a person to follow these grade standards if he intends to sell graded products.

The Agriculture Marketing Advisor Government of India has fixed grade standards for a number of agricultural commodities and it is compulsory to grade the produce according to these grade specifications. The use of mandatory standards is compulsory for export of the agricultural commodities to various countries. For many of the agricultural produce, certain grades and standards are fixed by Agricultural Marketing Advisor, Government of India. This is done for having and maintaining high standard and clarity of quality in case of exports of agro-produce. Farmers are not free to use their own standards and classifications in case of exports. The Government of India has made standards based on size, quality and other characteristics which are fixed standards hence mandatory for exporters.

2. Permissive or variable grading: Under this the goods are graded according to the standards which vary over a period of time. The grading specifications are fixed in over time and space in this case but changed every year according to the quality of the produce in that particular year. In India grading by this method is not permissible.

3. Centralized/decentralized grading: Under the centralized grading system an authorized packer either sets up for his own laboratory manned by qualified chemists or seeks access to an approved grading laboratory set up for the purpose by state authorities

or co-operative association or private agencies. Grading in respect of commodities such as ghee, butter and vegetable oil where elaborate testing facilities are required for checking the purity as assessing the quality has been placed under the centralized system.

The directorate of Marketing and Inspection exercise close supervision on grading work of the approved chemist by way of periodical inspection of grading stations and the quality of graded produce. Under this system, the state marketing authorities under the overall supervision and guidance of the directorate of marketing and inspection implement the decentralized grading system. This system is followed in those commodities which do not have elaborate testing arrangements for assessing the quality.

Eg. Vegetables, fruits, eggs, pulses and cereals, the grades for these produce are determined on the basis of physical characteristics. Both these grading programmes are consumer oriented. In addition to these programmes, the state marketing authorities also implement a grading level. Free grading services are provided to farmers for sorting the produce.

4. Grading at producers level:

Under this programme, free grading services are provided to the farmers for sorting the produce before offering for sale. This enables them to realize prices commensurate with the quality of produce. Several regulated markets and warehouses are manned with grading personnel with the central assistance. Farmers on their own also do grading, which is actually categorizing as per their own thinking. They do not have an idea of standards and grades as per DMI. Farmers do only from the point of view of getting fair rates to their produce. Marketing agents also develop some expertise in gradation of agricultural produce and their opinion is given importance in price fixing and negotiations.

UNIT-II

BUYING BEHAVIOUR AND MARKET SEGMENTATION

Buying behaviour refers to the actions and decision-making processes of consumers when they purchase goods and services. It involves understanding how individuals or groups select, purchase, and use products or services to satisfy their needs and desires. Buying behavior is influenced by a combination of factors, including psychological, social, economic, and cultural elements.

Here are some key factors that influence buying behavior:

1. Psychological Factors:

- Motivation: The internal drive that prompts a consumer to seek out products or services to fulfill a need.

- Perception: How a consumer interprets and makes sense of information, which influences their buying choices.

- Learning: Past experiences with products or services can influence future purchase behavior.

- Attitudes and Beliefs: A consumer's positive or negative evaluations of a product based on their values, beliefs, and experiences.

2. Social Factors:

- Family: Family members, particularly parents, can have a significant impact on purchasing decisions.

- Reference Groups: Social groups such as friends, colleagues, or celebrities that influence a consumer's choices.

- Social Class: A person's social standing or position within society can impact their buying behaviour, often leading to preferences for certain brands or products.

3. Cultural Factors:

- Culture: Shared values, beliefs, and norms that shape consumer behaviour.
- Subculture: A smaller group within a culture with distinct preferences and behaviours.
- Social Influences: The way different cultural groups impact purchasing habits, such as preferences for certain types of food, fashion, or technology.

4. Economic Factors:

- Income: The amount of disposable income available for purchasing goods and services.
- Economic Environment: The broader economic conditions (e.g., recession, inflation) that affect consumer confidence and spending behaviour.
- Price Sensitivity: Some consumers are more price-sensitive than others, impacting their decision-making process when it comes to purchasing.

5. Personal Factors:

- Age and Life Cycle Stage: As consumers age, their buying behaviour changes, typically influenced by their life stage (e.g., student, young professional, parent, retiree).
- Occupation: Different jobs and careers may influence purchasing choices, especially in relation to professional attire or tools.
- Lifestyle and Personality: A consumer's lifestyle choices and personality traits can dictate preferences for certain products, such as luxury goods, eco-friendly products, or health-related items.

Types of Buying Behaviour:

1. Complex Buying Behaviour: Consumers engage in this behaviour when they are highly involved in the purchase and are aware of significant differences between brands (e.g., buying a house, car, or high-end electronics).

2. Dissonance-Reducing Buying Behaviour: This happens when consumers experience post-purchase dissonance, meaning they feel uncertain after making a decision. It typically involves expensive items or services, and they may seek reassurance after the purchase.

3. Habitual Buying Behaviour: Consumers make purchases out of habit and with low involvement, often for everyday products like groceries or household items.

4. Variety-Seeking Buying Behaviour: Consumers make purchasing decisions based on a desire for variety or change, often with low involvement and with no strong brand loyalty (e.g., trying a new snack or clothing style).

Buying Behaviour Classification

Buying behaviour can be classified based on various factors such as the level of involvement in the purchase, the type of decision-making process, and the degree of brand loyalty. Below are some of the common classifications of buying behaviour:

1. Based on Level of Involvement:

a. High Involvement Buying Behaviour:

Involves significant investment of time and effort in the decision-making process.

The consumer is highly engaged and evaluates multiple alternatives before making a decision.

Typically occurs with expensive or infrequent purchases, such as cars, houses, or electronics.

Example: Buying a new car, purchasing a home.

b. Low Involvement Buying Behaviour:

Involves minimal effort or emotional investment in the decision.

Consumers tend to make quick and routine decisions, often based on brand recognition or price.

Typical of everyday purchases, such as food, beverages, or household products.

Example: Purchasing groceries, toiletries, or snacks.

2. Based on Decision-Making Process:

a. Complex Buying Behaviour:

Occurs when consumers are highly involved in a purchase decision and perceive significant differences between brands.

This type of buying behaviour is common for expensive or highly significant purchases.

Consumers gather a lot of information, compare alternatives, and take time to make a decision.

Example: Buying a luxury car, choosing a college or university.

b. Dissonance-Reducing Buying Behaviour:

Happens when consumers experience post-purchase dissonance or uncertainty (buyer's remorse) after a decision.

Involves high involvement in the purchase but less differentiation between the available brands.

The consumer may seek reassurance or information to reduce anxiety after the purchase.

Example: Buying an expensive piece of furniture, booking an expensive vacation.

c. Habitual Buying Behaviour:

Involves low involvement and minimal decision-making effort.

Consumers make purchases based on habit, routine, or brand loyalty without much thought or evaluation of alternatives.

This type of behaviour is common for everyday products or items that consumers buy frequently.

Example: Buying the same brand of toothpaste or cereal.

d. Variety-Seeking Buying Behaviour:

Occurs when consumers seek variety rather than making a rational decision based on a strong need.

Involves low involvement, but the consumer desires novelty and change, often trying different brands or products.

Consumers are often motivated by curiosity or a desire for new experiences.

Example: Trying a new flavor of ice cream, changing a mobile phone carrier.

3. Based on Degree of Brand Loyalty:

a. Brand-Loyal Buying Behaviour:

Consumers show a strong preference for a particular brand and tend to make repeat purchases without considering alternatives.

High brand loyalty is associated with trust and satisfaction with a brand's products or services.

Example: A consumer always buying the same brand of clothing or electronics.

b. Non-Loyal Buying Behaviour:

Consumers do not have a strong attachment to any particular brand and may switch brands based on price, availability, or convenience.

This is common when there are many comparable options and low switching costs.

Example: Buying any brand of bottled water depending on price or availability.

4. Based on Buying Situation:

a. Impulse Buying Behaviour:

Consumers make spontaneous and unplanned purchases, often driven by emotions or external stimuli such as sales promotions or product displays.

Impulse buying is typically associated with low-cost items or products that trigger immediate gratification.

Example: Purchasing an item at the checkout counter without planning to buy it.

b. Planned Buying Behaviour:

Consumers have a specific intention or purpose for purchasing a product before entering a store or visiting an online store.

This behaviour often involves researching and comparing alternatives before making a decision.

Example: Purchasing a new laptop after researching different brands and features.

5. Based on Purchase Frequency:

a. Routine Buying Behaviour:

Occurs for products that are purchased regularly, without much thought or comparison.

It is a habitual or repeat purchasing behaviour often associated with everyday items.

Example: Buying groceries or household cleaning products on a regular basis.

b. Occasional Buying Behaviour:

Consumers make purchases on special occasions or as needed, rather than routinely.

This behaviour often involves more deliberate decision-making and evaluation of options.

Example: Buying clothes for a special event, such as a wedding or a vacation.

Summary:

- High vs. Low Involvement: Distinguishes the level of consumer engagement in the purchase.
- Complex vs. Dissonance-Reducing vs. Habitual vs. Variety-Seeking: Identifies the different types of decision-making processes based on consumer attitudes, information search, and evaluation of alternatives.

- Brand Loyalty: Differentiates between brand-loyal consumers and those who are indifferent to brands.
- Buying Situations: Highlights impulsive versus planned purchases.
- Frequency: Distinguishes between routine purchases and occasional, special purchases.

Understanding these classifications helps businesses better target and engage consumers, designing marketing strategies that align with how people buy and what influences their decisions.

The Consumer Protection Act, 1986

The Consumer Protection Act, 1986 was enacted by the Parliament of India to protect the interests of consumers and to provide a simpler way to resolve consumer grievances. The Act was first published on December 24, 1986 and was replaced by the Consumer Protection Act, 2019.

The consumer protection act 1986 notes give detailed information on the Consumer Protection Act, 1986, which was approved to provide quicker and simpler access to redressal consumer grievances.

Consumer Protection Act 1986 was enacted for superior protection of the interest of consumers. The provision of the Act came into force from 15-04-1987. Consumer Protection Act forced strict liability on a manufacturer in case of the supply of faulty goods by him and strict liability on a service provider in case of shortage in rendering his services.

To safeguard the interests and rights of consumers, quasi-judicial machinery is sought to be set up at the district, state and central levels. This Act applies to the whole of India except the state of Jammu and Kashmir. This Act was replaced by the 'Consumer Protection Act 2019' which came into force on 24th July 2020.

Features of Consumer Protection Act, 1986

1. It applies to all goods, services and inequitable trade practices unless specified and exempted by the Central Government
2. It covers all sectors, private, public or co-operative
3. It provides the establishment or setting up of consumer protection councils at the district, state and central levels to encourage and protect the rights of consumers and three-tier quasi-judicial machinery to deal with consumer grievances and disputes

Objectives of Consumer Protection

- To protect the consumer from abuse
- To provide a venue for grievances/compensation
- To ensure a superior quality of living by upgrading consumer products and services
- Protecting the consumer against immoral and unfair activities of the traders

Need for Consumer Protection Act

1. The necessity of acquiring measures to protect the interest of consumers come to light mainly due to the vulnerable position of the consumers.
2. Social Responsibility: It is the moral responsibility of the business to serve the interest of consumers. In line with this principle, producers and traders have to provide the right quality and quantity of goods at fair prices.
3. Increasing Awareness: Consumers are becoming more mature and conscious of their rights against the malpractices of the business. Many consumer organisations and associations are making efforts to build consumer awareness.
4. Consumer Satisfaction: The Father of the Nation, Mahatma Gandhi, had once called manufacturers and traders to" treat your consumers as god". Consumer satisfaction is the only key to the success of the business. Hence, people in business should take

every step to serve the interests of consumers by providing them quality goods and services at a reasonable price.

5. Survival and Growth of Business: Businesses have to be in the service of consumer interests for their survival and growth. On account of globalisation and the rise in competition, any business organisation which indulges in malpractices or fails to provide improved services to its ultimate consumer shall find it difficult to continue.
6. Principle of Trusteeship: Resources/Assets were contributed by society. They are merely the trustees of the wealth and, therefore, they should use such resources effectively for the sake of the community, which includes the consumer.

Consumer Protection Act 1986 Latest Amendments

The Consumer Protection Act, 2019 replaced the Consumer Protection Act of 1986. The 2019 Act includes a number of amendments, such as:

Improved protection for online transactions: The 2019 Act defines e-commerce as the buying or selling of goods or services over a digital network, and includes provisions to protect consumers in this area.

Central Consumer Protection Authority (CCPA): The 2019 Act introduces the CCPA as a regulator.

Alternative dispute resolution: The 2019 Act includes alternative dispute resolution mechanisms.

Pecuniary jurisdiction: The 2019 Act includes changes to pecuniary jurisdiction.

Litigation: The 2019 Act includes new provisions for litigation.

Telemarketing: The 2019 Act includes telemarketing within the scope of the law.

The 2002 Consumer Protection Amendment Act included the following provisions:

Consumer courts were given the powers of a First Class Judicial Magistrate to punish those who disobeyed court orders.

Consumer courts could issue interim orders to provide immediate relief to complainants in deserving cases.

The government was required to establish Consumer Protection Councils at the district, state, and central levels.

Market Segmentation

Market segmentation is the process of dividing a broader target market into smaller, more specific groups of consumers with similar characteristics, needs, or behaviors. This approach helps businesses tailor their products, services, and marketing strategies to meet the unique demands of each segment, leading to greater customer satisfaction and profitability.

Types of Market Segmentation

1. Demographic Segmentation
   - Dividing the market based on demographic factors such as:
     - Age, Gender, Income, Education level, Occupation, Family size, Religion
2. Geographic Segmentation
   - Dividing the market based on geographic location:
     - Country, Region, City or town, Climate, Population density (urban, suburban, rural)
3. Psychographic Segmentation
   - Based on lifestyle, values, interests, and personality traits:
     - Social class, Hobbies, Lifestyle preferences, Values and attitudes
4. Behavioural Segmentation
   - Based on consumer behaviors and interaction with products:

     Purchase habits (frequency, timing), Brand loyalty, Usage rate, Benefits sought (e.g., convenience, quality, affordability)
5. Firmographic Segmentation (for B2B markets)

- Used in business-to-business (B2B) contexts:

  - Company size, Industry type, Location of the business, Revenue levels

Benefits of Market Segmentation

- Enhanced Customer Understanding: Allows businesses to understand the specific needs and preferences of their customers.
- Improved Marketing Strategies: Enables companies to create tailored marketing campaigns for each segment.
- Efficient Resource Allocation: Focuses resources on the most profitable and responsive customer groups.
- Increased Competitiveness: Helps differentiate products or services in a crowded marketplace.
- Higher Customer Satisfaction: Offers personalized experiences and solutions to meet customer demands.

Steps in Market Segmentation

1. Identify the Market: Define the broader market you wish to target.
2. Segment the Market: Use segmentation criteria like demographics, geography, or behaviour.
3. Evaluate Segments: Assess the size, accessibility, and profitability of each segment.
4. Target a Segment: Select one or more segments to focus on.
5. Position the Product: Develop a unique value proposition to cater to the target segments.

Market Segmentation: Concept and Methods

Concept

Market segmentation is the process of dividing a broad consumer or business market into smaller, more manageable groups or segments based on shared characteristics. This strategy allows businesses to tailor their marketing efforts to specific audiences, enhancing relevance and efficiency. By understanding the unique needs, preferences, and behaviours of each segment, companies can design products, services, and marketing strategies that resonate with their target audiences.

Importance of Market Segmentation

1. Targeted Marketing: Focused efforts ensure better engagement with the audience.
2. Efficient Use of Resources: Reduces wastage by concentrating on profitable segments.
3. Customer Satisfaction: Addresses specific needs of each segment.
4. Competitive Advantage: Helps differentiate offerings in the market.

Methods of Market Segmentation

1. Demographic Segmentation

- Definition: Divides the market based on characteristics like age, gender, income, education, occupation, and marital status.
- Example: Luxury brands target high-income groups; toys are marketed to families with children.

2. Geographic Segmentation

- Definition: Segments customers based on their geographic location, such as country, region, climate, or urban vs. rural areas.
- Example: Beachwear for coastal regions; winter clothing for colder climates.

3. Psychographic Segmentation

- Definition: Focuses on lifestyle, values, attitudes, interests, and opinions.

- Example: Fitness enthusiasts targeted by sports apparel brands.

4. Behavioural Segmentation

- Definition: Based on purchasing behaviour, usage rate, brand loyalty, and benefits sought.

- Example: Frequent travelers targeted with loyalty programs; tech-savvy users offered cutting-edge gadgets.

5. Firmographic Segmentation (For B2B markets)

- Definition: Categorizes businesses based on industry, company size, revenue, or geographic location.

- Example: Cloud service providers targeting startups versus large corporations.

6. Needs-Based Segmentation

- Definition: Groups consumers based on their specific needs or problems they want solved.

- Example: Allergy-free products for health-conscious consumers.

7. Hybrid Segmentation

- Definition: Combines two or more segmentation methods to refine targeting.

- Example: Demographic and behavioural segmentation to target young, tech-savvy urban dwellers.

Product Differentiation

Product Differentiation refers to the process by which companies distinguish their products or services from competitors' offerings in the market. The goal is to create a unique value proposition that makes the product more attractive to a specific target audience. Differentiation can occur through various features, branding, or benefits that set the product apart.

Types of Product Differentiation

1. Physical Differentiation:
   - Differences in design, features, quality, or performance.
   - Example: Apple iPhones are known for their sleek design and user-friendly interface.
2. Service Differentiation:
   - Differences in customer support, delivery, installation, or other added services.
   - Example: Amazon's fast delivery and excellent return policy.
3. Brand Differentiation:
   - Creating a distinct identity through branding elements like logo, messaging, or reputation.
   - Example: Nike's association with high performance and innovation in sportswear.
4. Price Differentiation:
   - Offering products at competitive prices or targeting a specific price range.
   - Example: Budget airlines offering cheaper flights by eliminating luxury services.
5. Technological Differentiation:
   - Leveraging innovation and technology to offer unique features.
   - Example: Tesla's electric cars with advanced autopilot features.
6. Packaging Differentiation:
   - Using distinctive or eco-friendly packaging to stand out.
   - Example: Coca-Cola's uniquely contoured bottle design.
7. Customization:
   - Allowing consumers to personalize products according to their preferences.
   - Example: Nike's "By You" feature, where customers can design their own shoes.

Benefits of Product Differentiation

- Increased Brand Loyalty: Unique offerings can foster customer loyalty.
- Higher Margins: Differentiated products often justify premium pricing.
- Reduced Competition: Unique features make it harder for competitors to replicate success.

- Target Market Fit: Differentiation allows better alignment with specific customer needs.

Challenges of Product Differentiation

- High Costs: Innovation, quality enhancement, or marketing for differentiation can be expensive.
- Risk of Over-Promising: If the product doesn't live up to its claims, it can harm reputation.
- Market Saturation: Too much differentiation in a crowded market can confuse customers.

Examples

- Luxury Fashion: Louis Vuitton differentiates with exclusive designs and high-quality craftsmanship.
- Fast Food: Burger King's flame-grilled burgers versus McDonald's.
- Electronics: Samsung differentiates from Apple through features like foldable phones.

By successfully implementing differentiation, businesses can carve out a competitive advantage and build a loyal customer base.

Product Differentiation Vs Market Segmentation

Product Differentiation and Market Segmentation are both marketing strategies, but they focus on different aspects of addressing customer needs. Here's a breakdown of

Product Differentiation

1. Definition:

A strategy where a business distinguishes its product from competitors' offerings by highlighting unique features, quality, design, or branding.

2. Goal:

To make the product stand out as unique in the market, creating a competitive advantage.

3. Focus:

On the product itself—what makes it better, different, or more desirable than other products.

4. Target Audience:

The same product is typically offered to a broad audience, but it appeals due to its distinctive attributes.

5. Examples:

- Apple differentiates its iPhones through innovative design and software integration.
- Tesla stands out by focusing on electric vehicle technology and autopilot features.

Market Segmentation

1. Definition:

Dividing the broader market into smaller, more specific groups of consumers based on shared characteristics, such as demographics, behaviours, or preferences.

2. Goal:

To target each segment with tailored marketing strategies or products that meet their specific needs.

3. Focus:

On the market and understanding consumer diversity to cater to different preferences effectively.

4. Target Audience:

Each segment receives a tailored approach, whether through customized products, pricing, or marketing messages.

5. Examples:

- Nike targets athletes with performance gear but also markets to casual wear consumers.
- Luxury car brands create specific models for high-income buyers while offering entry-level luxury for middle-income customers.

Key Differences:

Aspect	Product Differentiation	Market Segmentation
Focus	Product uniqueness	Market diversity
Approach	Emphasizes features of one product	Creates variations for different groups
Goal	Stand out in the market	Target specific customer needs
Customer Strategy	Broad appeal with standout features	Tailored appeal for each segment

Marketing Mix

The Marketing Mix refers to a foundational concept in marketing that outlines the key components businesses use to effectively promote and sell their products or services. It is often summarized as the 4Ps, which represent the controllable factors a business can manipulate to influence customer demand.

The 4Ps of Marketing Mix:

1. Product:

- Refers to the goods or services offered by a business to satisfy customer needs or desires.
- Includes aspects such as design, quality, features, branding, and packaging.
- Consideration of the product lifecycle (introduction, growth, maturity, decline) is also critical.

2. Price:

- Represents the amount customers are willing to pay for a product or service.
- Factors include cost of production, competitor pricing, perceived value, and market demand.
- Pricing strategies include penetration pricing, skimming pricing, and dynamic pricing.

3. Place:

- Refers to how and where the product is made available to customers.
- Includes distribution channels such as online platforms, retail stores, or direct sales.

- Factors include location, logistics, and accessibility to the target market.

4. Promotion:

- Encompasses the activities and strategies used to inform and persuade potential customers about a product.

- Examples include advertising, public relations, sales promotions, and social media marketing.

Extended Marketing Mix: The 7Ps (for services):

For service-based businesses, the marketing mix is expanded to include additional elements:

5. People:

- Refers to the staff, employees, or representatives who interact with customers and influence their experience.

- Includes customer service, training, and staff behaviour.

6. Process:

- The procedures, mechanisms, and flow of activities that deliver the product or service to customers.

- Includes efficiency, technology, and consistency in service delivery.

7. Physical Evidence:

- Tangible or intangible elements that provide proof of service quality.

- Includes branding, premises, online presence, and customer testimonials.

Importance of the Marketing Mix:

- Ensures that all aspects of marketing are aligned to meet customer needs.

- Helps businesses differentiate their offerings in competitive markets.

- Provides a strategic framework for decision-making.

UNIT-III

PRODUCT AND PRICING DECISIONS PRODUCT

Product: Meaning and Classification

A product is any item or service that satisfies a need or a desire and is offered in exchange for value, typically money. Products can be tangible (physical items) or intangible (services or ideas). In marketing and economics, the term refers to goods or services produced to meet the needs of consumers or businesses.

Classification of Products

Products can be classified in various ways based on different criteria. Below are some common classifications:

1. Based on Tangibility

- Tangible Products: Physical goods that can be touched and stored (e.g., electronics, clothing, food).
- Intangible Products: Services that cannot be touched or stored (e.g., banking services, consultancy, education).

2. Based on Consumer Use

- Consumer Products: Products bought by individuals for personal consumption. These can be further classified into:
  - Convenience Products: Low-cost items that are frequently purchased (e.g., groceries, toiletries).
  - Shopping Products: Products that require comparison (e.g., clothing, appliances).
  - Specialty Products: Unique items that require significant effort or investment to purchase (e.g., luxury cars, high-end watches).
  - Unsought Products: Products that consumers do not think about regularly (e.g., life insurance, emergency services).

-Industrial Products: Products used for business or industrial purposes, such as machinery, tools, and raw materials.

3. Based on Durability

- Durable Goods: Products that have a long life and provide utility over time (e.g., cars, furniture).
- Non-Durable Goods: Products that are consumed or used up quickly (e.g., food, cleaning products).

4. Based on the Degree of Customization

- Standard Products: Products that are produced in large quantities without much customization (e.g., mass-market clothing, packaged foods).
- Customized Products: Products that are tailored to individual preferences or specifications (e.g., bespoke furniture, custom-made software).

5. Based on the Use of the Product

- Consumer Goods: Intended for direct use by consumers (e.g., smartphones, clothing).
- Capital Goods: Used in the production of other goods and services (e.g., factory machines, construction equipment).

These classifications help in understanding product positioning, target markets, and marketing strategies.

Branding

Branding is an activity of marketing, which makes a product known in the market. Different producers produce different goods. They should be given certain brand for making them known among the customers. On the basis of the same, sellers become able to sell the products of any producer and customer also demand for the products on the basis of the brand.

Branding means to give specific name, symbol, term, or design or so to products. Branding is to give name to the products in order to popularize and help customers identify them. Brand name is the only means to distinguish the products of same nature produced by different producers. For example different types of cigarettes of different quality are found in the market. Among them the customers can easily identify their favourite cigarette by their brand like 555, More, Marlboro etc.

Hence, it becomes clear that any name, word, symbol or special design or so used by producers intending to differentiate their products from the same nature or services of competitors in market is called branding.

In the context of branding, brand name, brand symbol, trade mark, etc. are used in goods or services. Brand name is composed of any word, letter, or digit or so, which can be easily pronounced. Toyota, Suzuki, Mitsubishi etc. are brand names of cars whereas State Express, Marlboro etc. are the brand names of cigarettes. But brand mark is the part of brand, which is symbol, design or colour which is used to easily identify the product but cannot be pronounced. Special styled letters written as 'Suzuki', '555 of State Express', special bottle of 'Star Beer' etc are the examples of brand mark. Similarly, trademark means products are given certain name; such as legally registered in the concerned office of the government. So, the brand that has got legal protection or legal recognition is called 'trademark'.

Importance and Reasons for Branding Products

Branding of products is very important in marketing. It promotes image and reputation of business firm. It also gives satisfaction to the customers. Trademark helps producer and sellers get legal protection. From this customers can get quality products at reasonable price. Producers, sellers, customers get different benefits and advantages from brand name and trademark. So, the main reasons for branding products are the benefits and advantages that the consumers and business firm get. The importance and reasons for branding products can be mentioned as follows:

Importance and reasons of branding from consumers' viewpoint

1. Product identification

Branding plays an important role to help consumers or industrial users to identify and differentiate the products from the other company. The consumers or users, with little effort, can easily buy the products of the brand whichever they want.

2. Stability in quality and price

As the products, which have been branded, do not differ in quality and price, the consumers can purchase such products with confidence. Moreover, mostly reputed producers produce the branded products. The producer always tries to improve quality by which the consumers get more utility and benefits from branded products.

3. Buying spares and parts

Branding helps customers to buy spares and parts for their automobile, machines, and other equipment. As the producer produce such spares and parts in the same brand name and trade mark, the customers do not have to cheat by counterfeit products.

4. Regular supply

As the branded products are supplied regularly, the customers can get and use them regularly. If once the customers are satisfied with the products, they buy the products of the same brand when need again.

5. Social prestige

Social prestige, respect and status of consumers rise up from buying branded products. Branded products also give psychological satisfaction to the consumers.

So, branding product is logical and useful for the above mentioned benefits the customers or consumers get from branded products.

Importance and reasons of branding from producers' viewpoint

From the producers' and sellers' point of view, the following advantages and benefits can be enjoyed from branded products:

1. Advertising

Branding helps producer and sellers to promote their products and sales through advertisement. Branded products can be advertised and advertisement creates demand.

2. Market control

Branded products can control market more than the unbranded ones. It becomes possible to receive purchase order from customers for the products, which have brand name or symbol. If the products have brand name, 'brand loyalty' or 'brand patronage' becomes possible.

3. Expansion of product mix

A reputed manufacturing company, which produces and sells better products of established brand, can also produce other new products using same brand. The customers who have brand loyalty of the old products confidently buy and use the new products of the same brand. In this way, branding helps to develop, produce and sell new products.

4. Reduces price comparisons

If the products are branded, the customers do not compare price with other products of different companies, because brand itself differentiate the products and prices. Hence, the producer or sellers become free to determine price.

5. Goodwill and image

Quality product and popular brand help increase goodwill and image of the manufacturing firm and sellers. Such brand attracts general public towards the firm. As a result, volume of sales increases. Besides this, banks and financial institutions provide necessary financial help for production and sales.

Importance and reasons of branding from society's viewpoint

1. Promotion of social events

A company, which deals in products of reputed brand, sponsors for different social programs such as education, health, sports, cultural campaign, seminar, workshop etc. for the promotion of product. Such activities do not only promote products but also make the society aware.

2. Consumer welfare

Branded products protect consumers' rights. If any wrong, defect or fault is found in branded products, the consumers can get compensation according to the legal provision. But if any defect, fault found in unbranded products or they cause damage or loss, it becomes difficult to identify and take legal actions.

3. Environmental protection

Products of reputed brand become helpful in environmental protection. On the other, environmentally aware society gives priority to use environment friendly brand. In this way, branding of products also helps protect environment.

The product mix, also known as the product assortment, is the total range of products that a company offers to its customers. It encompasses all the product lines and individual items that a company markets. The product mix is often described using four key dimensions:

1. Width

- Refers to the number of different product lines a company offers.
- Example: A company like Procter & Gamble has a wide product mix, offering lines such as beauty products, cleaning agents, and personal care items.

2. Length

- The total number of products in a company's product mix.

- Example: If a company has three product lines and each line has five products, the total product mix length is 15.

3. Depth

- Refers to the number of variations offered for each product in a line. Variations can include different sizes, flavors, colors, or features.
- Example: A shampoo line may have multiple scents and sizes, reflecting a deep product line.

4. Consistency

- Describes how closely related the various product lines are in terms of use, production, and distribution.
- Example: A company with highly consistent product lines might only sell health and beauty products, whereas a less consistent product mix could include unrelated items like electronics and clothing.

Importance of Product Mix

- Maximizing Reach: A well-designed product mix appeals to a broader customer base.
- Risk Diversification: Having multiple product lines spreads risk; if one line underperforms, others may compensate.
- Brand Strengthening: A diverse but consistent product mix reinforces brand identity.
- Meeting Market Demands: It allows the company to cater to different customer needs and preferences.

Branding

Branding refers to the process of creating a unique identity for a product, service, company, or individual that distinguishes it from competitors. It involves developing a combination of elements such as a name, logo, tagline, visual design, and messaging to communicate a clear and consistent image to the target audience. Effective branding fosters recognition, trust, and loyalty among customers and stakeholders.

Key Components of Branding:

1. Brand Identity

   - The visible elements of a brand (e.g., logo, color palette, typography) that create a distinct image.

2. Brand Personality

   - The human characteristics associated with a brand, like being youthful, trustworthy, or innovative.

3. Brand Positioning

   - The place a brand occupies in the minds of its target audience compared to competitors.

4. Brand Messaging

   - The language, tone, and communication style used to convey the brand's values and promises.

5. Brand Experience

   - How customers interact with and perceive the brand at every touchpoint, from websites to physical stores.

Importance of Branding:

- Differentiation: Helps a business stand out in a crowded marketplace.
- Customer Loyalty: Builds emotional connections, leading to repeat customers.
- Credibility and Trust: A strong brand conveys reliability and professionalism.
- Premium Pricing: Brands with a good reputation can command higher prices.
- Business Growth: Attracts partnerships, investors, and new opportunities.

Brand Decisions

Brand decisions involve strategies and actions taken by organizations to shape, position, and manage their brand effectively in the market. These decisions are crucial as they influence consumer perception, brand loyalty, and overall market success. Here's an overview of key areas involved in brand decisions:

1. Brand Identity

- Decision Define what the brand stands for.
- Considerations:
  - Name, logo, slogan, and symbols.
  - Core values and mission.
  - Target audience alignment.
- Example: Nike's "Just Do It" reflects its brand ethos of empowerment and performance.

2. Brand Positioning

- Decision: Determine the brand's unique place in the market.
- Considerations:
  - Differentiation from competitors.
  - Value proposition.
  - Customer perception.
- Example: Tesla positions itself as a premium, innovative electric vehicle brand.

3. Brand Architecture

- Decision: Choose the structure for organizing the brand portfolio.
- Types:
  - House of Brands (e.g., Procter & Gamble with Tide, Gillette).
  - Branded House (e.g., Google's products under one umbrella).
  - Hybrid (e.g., Coca-Cola with Coke, Sprite, Fanta).

Considerations: Market strategy, resource allocation, and scalability.

4. Brand Extension

- Decision: Decide whether to extend the brand into new products or categories.
- Considerations:
  - Fit with existing brand image.
  - Risk of diluting the core brand.
  - Potential for revenue growth.
- Example: Apple's expansion from computers to smartphones, wearables, and services.

5. Brand Communication

- Decision: Craft how the brand communicates with its audience.
- Considerations:
  - Tone of voice and messaging.
  - Marketing channels (social media, ads, PR).
  - Consistency in storytelling.
- Example: Coca-Cola's "Share a Coke" campaign personalized bottles to increase engagement.

6. Brand Equity Management

- Decision: Maintain and grow the brand's perceived value.
- Considerations:
  - Customer loyalty and satisfaction.
  - Regular updates to branding elements.
  - Measuring brand performance.
- Example: Starbucks invests in customer experience to sustain its equity.

7. Rebranding

- Decision: Refresh or overhaul the brand.

- Considerations:
  - Change in market dynamics or audience needs.
  - Recovery from negative perception.
  - New strategic direction.
- Example: Instagram's redesign from "Burbn" to its modern, minimalist aesthetic.

Meaning of Packing

Along with determination of standard, level and branding of products, packaging also has important role in marketing. Products should be well packed to carry them safely to the customers and consumers. Packaging and packing are the activities related with product plan. Some are found to have used them in separate sense. Mainly packing is wrapping a commodity or binding it in a suitable way for transporting, storing and handling. The task of keeping, packing, wrapping, or binding commodity in sack, cloth, paper, box, can, bottle etc. according to the nature of product is called packing. But the word packaging does not limit the meaning to only packing; wrapping or binding in anything, rather it also works for sales promotion. Packaging is also concerned with the matter how to put or keep a commodity in a container, box or can in an attractive, safe and comfortable manner.

The function of packaging is to use attractive container and wrapping material pack a product decoratively as well as attractively and labelling on it. The main objectives of packaging are to keep commodities safe, promote their sales and make them convenient for consumers to use. The activities such as taking decision on what kind of material, can, box or container becomes suitable for packing a commodity, designing, making ready, decorating etc. include in packaging. So, packaging is very important in marketing for safety of products, sales promotion, consumers' convenience, making flow of information to customers etc.

Packaging can be classified as follows:

1. Family packaging

If a manufacturing firm uses same type and same design of package for all kinds of its products, this is called family packaging. For example, if a producer uses same or common design of package for different types of soaps, it is called family packaging. This is also called 'product line packaging' or 'packaging the product line'. This works as family brand. If any new product is added to the product line, its promotional value is related with old product. However, the use of family packaging is suitable only for the producers, which are same in use and equal in quality.

2. Reusable packaging

The package or container, which can be used for any other purposes, is called reusable packaging. Cheese packed bottle can be used to put juice, oil or pickle after the cheese has been finished. The reusable packaging motivates consumers to buy product again and again to make good set of reusable containers.

3. Multiple packaging

The package or container which can be used to put or pack varieties of goods is called multiple packaging. A single container or kit can be used to put different make-ups or cosmetic materials. Multiple packaging has proved to be helpful in increasing aggregate sales of products. Apart from the above mentioned types of packaging, carriage or distribution packaging, container packaging, etc. are also found in use.

Functions of Packaging

Packaging is one of the most important functions in marketing. The task of keeping any product in container, carton, or wrapping in, binding with, or keeping in boxes etc. for freshness and protection of products is called packing. But packaging does not mean only this task. Packaging has broad meaning. The important functions of packaging are as follows:

1. Containment

To provide proper and safe container or place for keeping any product is an important function of packaging. The functions of designing, producing and providing containers, boxes, packets, bottles, paper, or paper-bags, or plastic bags etc. according to the nature of products to put them include in packaging. Suitable kinds of containers or boxes are used according to the nature of products for transporting or keeping them in warehouse or in showroom.

2. Protection

The main or important function and objective of packaging is to keep the products safe and fresh. Packaging helps to protect products from the possibility of loss, damage, decline in quantity and quality, colour, size, etc. that may be caused by sun, rain, dust, insect, air and so on. The products are packed in proper materials to carry them from one place to another in right condition. Some cases, package increases the life span of the products. Glass made goods, food products and many other goods can be kept safe from crack and break, damage, decaying, adulteration etc. by packaging.

3. Identification

Packaging gives short introduction of different kinds of products and their producers. Every producer or middlemen select color, size, design of container or box, and package their products in a way that they look different from competitors' products. This makes customers easy to identify the same-nature products of different firms. The customers can recognize and may buy the products of their favourite company or brand as soon as see the package. Mostly, information such as name of the product, name of manufacturing company, ingredients used i product, weight, quality of the product, it's using method are printed or written on the package.

4. Promotion

The other important objective and function of packaging is to promote sales of the product. If the product has been packaged in attractive material nicely, it plays important role in sales promotion. Attractive packaging draws attention of customers stimulates their interest toward the product and motivates them to buy.

5. Prestige

The other function of packaging is to create brand prestige of product. A quality product properly packaged in good material becomes prestigious. Even though the product is good in quality, but its packaging is not attractive, customers' attitude becomes negative towards the product itself. So, packaging is an important function of the firm to increase reputation and prestige.

Features of Good Packaging

Packaging has an important role in marketing. It protects product and helps in sales promotion. So, the container or cover, design of packaging, color, size etc. should be suitable to the nature of product. It also should be convenient, attractive, economical, communicative etc. Only good and effective packaging can protect the product, keeps safe from declining its quality, it makes adulteration impossible. Good packaging also increases prestige, brand loyalty and promotes sales.

Following are the main features of good packaging:

1. Convenient

Good packaging should be convenient. Package should be made in a way that the product could be conveniently taken from one place to another and can be handled easily by middlemen or consumers. The size and shape of package also should be convenient for retailers to keep in shop or for consumers to keep at their home. The package design should be made re-use-able, if possible.

2. Attractive

Package should be very attractive and fascinating. Attractive package draws customers' attention. It stimulates their interest towards the product and makes them realize the want of product. colour, picture, design, size etc. of package can be dramatically influence customers' mind. Some customers demand due to attractive packaging.

3. Economical

The other feature of good packaging is to be economical. It should not be costly. If packaging is expensive, it increases the price of the product. As a result, it becomes difficult to sell the product. So, packaging should not be costly nor should be clumsy.

4. Protective

The purpose of packaging is to protect products from different risks. Products should be packaged in a way that the quality, quantity, colour etc. of product does not decline or damaged from sun, rain, insects, dust etc. While carrying from one place to another, transporting or storing in, and products may get damaged, putrefied, spoiled, or rotten. So, proper arrangement should be made to save the product from every risk. Only the packaging, which can protect products from all risk, is a good packaging.

5. Communicative

Good packaging should also be communicative. It should give information to the customers about the brand utility and quality of the product, which can stimulate demand. Good packaging works as silent salesperson and an effective advertisement.

The importance of packaging is as follows:

- Creation of demand:

Packaging plays an important role in the creation of demand by attracting the consumers. The customers become known with the product through advertising. It helps to increase the demand of the customers.

- Protection of the product:

Packaging helps to protect the product from heat, light, moisture, evaporation, dust etc. during its long passage from the factory to the target customers. It protects the products from breakage, leakage spoilage etc.

- Transportation:

Packaging facilitates transportation of products from one place to another. It ensures easy transportation and better handling of products in transit.

- Guidelines to customers:

Packaging helps as a guideline for the customers. From the informative literature regarding the quality and use of the product, the customers get the guidelines. The customers are ensured about the quality of the products.

- Better storage:

Packaging acts as a better storage of the products. Goods with good packages can be stored in the retail shop also in lesser price.

- Facilitates for carrying:

Packaging plays an important role in carrying the goods in transit and from one place to another. It is made in different sizes and it facilitates provisions for easy and open carrying.

- Identification of product differentiation:

Packaging helps to identify the product differentiation easily. It ensures the individuality of the products and one product can be easily differentiated with each other products in the market. The customers can easily identify their product of choice at the time of purchase. This helps the customers to prevent substitution of goods by other customers.

- Economy:

Packaging helps to reduce the cost of marketing the goods by reducing losses from damages. As packaging is helpful for sales promotion, so it helps to attain economy in the cost structure of the producers and marketers.

Levels of packaging

Packaging has three levels as mentioned below:

1. Primary package

The package, which has enclosed the actual commodity, is called primary package. Such package remains attached with the actual commodity until the consumers have completely used it. Tooth paste-tube, bottles of medicines, cigarette packets, match box etc. are the examples of primary package.

2. Secondary package

The layer of cover added to the primary package for its protection is called secondary package. After bringing the product home or being ready to use the product, the secondary package is taken-off or thrown. The cardboard-box in which tube of toothpaste is packed, the cover of soap etc are the examples of secondary package. The consumers do not keep secondary package for long.

3. Shipping package

Shipping package is used to facilitate, identification, transportation, handling and storing the products. Shipping package is very important and necessary for the products of whose nature is to keep store for long time, to carry far away and need to be loaded and unloaded several times. Under shipping package, there may many primary and secondary packages.

Requirements of good packaging

- Functional – effectively contain and protect the contents
- Provide convenience during distribution, sale, opening, use, reuse, etc.

- Be environmentally responsible
- Be cost effective
- Appropriately designed for target market
- Eye-catching (particularly for retail/consumer sales)
- Communicate attributes and recommended use of the product and package
- Compliant with retailers' requirements
- Promotes image of enterprise
- Distinguishable from competitors' products
- Meet legal requirements for product and packaging
- Point of difference in service and supply of product.
- For a perfect product, perfect colour.

Features of good packaging

A good package indicates individuality of a product in a dramatic and easily recognizable way. The features of good packaging can be briefly shown below:

- Convenience: Convenience is one of the good features of packaging. The packaging provides size options and it facilitates provisions for the easy open of the products. The package should neither be heavy in weight nor large in size.
- Security: The packaging provides security of the products and it protects the products from dust, light, spoilage, damage, evaporation, etc. It ensures the preservation of the quality and quantity of the products.
- Status or prestige: Packaging creates confidence among the customers and it creates status and prestige of the products. It helps in the increment of status and prestige to the consumers. The product is also known by its packaging.
- Adaptability: The package should of moderate size so that it can be kept in proper place. It should be adapted in all the places. Adaptability is very essential in packaging.

- Dependability: The packaging should be dependable. Dependability indicates the positive idea of a customer about the manufacturing of the product. It is very important to have dependability in the products.
- Handsome design: The packaging should have a handsome design. The handsome design attracts the customers to buy the products. To get touch with the taste and fashion of the customers, a constant renewal of design is required. It is very necessary to design the products for making the consumers attracted towards it.

Packaging

Packaging refers to the container or wrapper that holds a product or group of products. Most commercial packaging serves two basic functions: protecting the product from damage during shipping, and promoting the product to the ultimate consumer. Some common types of packaging include shipping cartons, containers for industrial goods, and bags, boxes, cans, and other holders for consumer products. Packaging is of great importance to both sellers and buyers of products. It can prevent spoiling, breakage, tampering, or theft; enhance convenience in use or storage; and make products easier to identify. A significant improvement in packaging can even create a "new" product by expanding the ways in which it can be used, and thus its potential markets. For example, a soup that is packaged in a microwavable bowl might suddenly increase its sales to working people.

Types of standards

Following are different types of standards:

- Basic standards
- Normal standards
- Current standards
- Attainable (expected) standards

- Ideal (theoretical) standards

Basic standards

These are standards established considering those factors that are basic in nature and remain unchanged over a long period of time and are altered only when the business operations change significantly affecting the very basic foundations of the entity and nature of business. These standards help compare business operations over a longer period of time. Basic standards are used not only to evaluate actual results but also current expected results (current standards). We can say that basic standards work as a standard for other standards. As basic standards are not updated according to latest circumstances thus they are not used often as they cannot help in short term period variance analysis.

Normal Standards

These are such standards which are expected if normal circumstances prevail. Term normal represents the normal conditions of the business in the absence of any unexpected fluctuations (either favorable or unfavorable). Even through normal standards is more of a theoretical in nature as reality cannot be sufficiently predicted with all its fluctuations in advance. Also, circumstances may change in such a way that factors which were expected to be controllable are not so controllable by the mangers. Thus it has limited application in today’s business environment. However, normal standards acts as a good yardstick that represents challenging yet attainable results and can be used by management in such environment which is simple in nature and is not prone to great fluctuations.

Current Standards

These standards are representative of current business conditions. These are mostly short term in nature and are widely used as they are the most relevant standards to be used for control purposes. These standards represent the state that business currently achieving or must achieve.

Attainable standards / Expected standards

These standards are based on current conditions and circumstances and represents what can be attained with the present setup in place and if the current conditions prevail. Current standards may be set lower or easier than expected standards but good managers always try to achieve what is attainable so that no resource is left unused. It means that attainable standards are representative of the potential that business is capable to achieve. For example machinery is expected to run for 4,000 hours where it can run for 5,000. Thus current standard is 4,000 hours where attainable is 5,000 hours. These standards are useful as they help management to analyze their performance and to use the unused potential at the right time.

Ideal standards / Theoretical standards.

This standard represents what business operations would be under ideal set of circumstances where everything is running at the optimum level with an ideal balance. These standards are representative of long term goals rather than for short term performance measurement. But with the advancement of technology and inventions even the ideal standards become attainable over the period of time but with every step taken forward and every question answered, more questions and more complexities pop up and its in human nature that it always extends the way forward with every milestone achieved. Therefore, ideal standards are not meant to be achieved rather to act like a guiding star.

Different types of standards

A standard is a document defining best practice, established by consensus and approved by a recognized body (such as BSI, ANSI or ISO). Each standard is kept current through a process of maintenance and review whereby it is updated, revised or withdrawn as necessary. Standards are designed to set out clear and unambiguous provisions and performance objectives in order to help trade and communication but may also meet other needs.

Some European Standards have been developed to support certain European (EU) directives by providing the simplest way of proving conformity. These standards in many cases are performance based rather than prescriptive. The BSI manages UK interactions with the standards bodies for Europe: the European Committee for Standardization (CEN) and, through the British Electrotechnical Committee, the

European Committee for Electrotechnical Standardization.

Standards all have the same basic purpose of setting out agreed principles or criteria so that their users can make reliable assumptions about a particular product, service or practice.

However, they can vary in two major respects:

- The type of agreement
- The number of people, organizations or countries who were involved in making the agreement.

In some standards, the type of agreement essentially amounts to advice and guidance; others are much more prescriptive and set out absolute requirements that have to be met if a user wishes to make a claim of compliance with the standard.

Different subject areas and different user groups have needs for differing forms and levels of standardization, and BSI tries to cater for all these needs.

British Standards

Most standards published by BSI carry the status of “British Standard”. This indicates that they have been developed using the processes set out in BS 0, A standard for standards. The principal characteristic of a British Standard is that it is produced by a process that involves:

- a committee – a widely-based group of experts nominated by organizations who have an interest in the content and application of the standard
- Consultation – making a draft available for scrutiny and comment to anyone who might be interested in it
- Consensus – the principle that the content of the standard is decided by general agreement of as many as possible of the committee members, rather than by majority voting.

This process reinforces the authority of the standard and helps to ensure that it will be accepted by a very wide range of people who might be interested in applying it.

British Standards may be developed entirely within the UK by BSI committees, or, in most cases, are adoptions of international standards developed under very similar processes and, almost always, involving strong UK participation.

PASs

A PAS is in many respects similar to a British Standard. However it is always developed in response to a commission by an external sponsor who funds a resource-intensive process which allows it to be developed and published quickly to satisfy an immediate business need.

For formal standards, national committees represent their communities in order to develop standards and related documents by consensus. They include representatives of government, testing laboratories, suppliers, consumers, academic institutions, societal interests, business, manufacturers, regulators and trade unions. European and international committees represent the countries interested in the subject matter with the aim of reaching consensus, through expert delegations nominated by the relevant national standards bodies.

Labelling

Branding, packaging and labelling are the secondary functions of marketing. They perform functions together as integrated parts of product planning and development. The function of putting identification mark of the product on its package is called 'labelling'. In other words, to put certain mark, or paste or tag with certain instruction or description on its package is called labelling product. If information about the product is printed on the package or pasted on it, then it is called label. A label can be printed statement or written in paper, or it may be unprinted piece or leather piece.

Object of Labelling

Like branding, the objective of labelling is to give information to customers about the product, which the consumers want to buy. In fact, labelling is a part of packaging. On some products, it is pasted directly on the product. Label is used to give information about the brand, standard and other instructions along with manufacturer's identification to the customers. So, there is close relationship between labelling and packaging, as well as label and branding or grading.

The customers can compare the products and know about the quality of the product from the label pasted, put or printed on the package. Label provides information about the name, feature, quality, price, utility, nature, ingredients etc. of the product and also manufactured date, place and producer's identification. It also gives instruction how to use and handle the product. In the label used on medicine package, manufactured date, expiry date, composition of the ingredients, using instruction etc. are mentioned. Customers can get information about the ingredients or composition used in manufacturing the medicine from label on the bottle or packet. In the lack of proper information, the customers hesitate to buy any products. Label gives information or answers of all possible questions that the customers may raise about the product. It also mentions maximum retail prices of the products. So, labelling is an important part of branding and marketing.

Functions of Labelling

Labelling gives necessary information to the customers about the products. The customers can get knowledge about the quality and features of product without tasting the product. They can recognize standard and grade of the product. Label provides information about the price, quantity, quality etc. of the product, due to which the customers buy the product without doubt and hesitation. They compare the product with the same nature products of other firms on the basis of the information provided on the label.

Label becomes helpful to sellers to sell out the product. It protects the customers from malpractices of the middlemen. Labelling is very important element affecting sales and distribution process of a product, which provides clear information about the grade, quantity, price, brand name, features etc. to the customers.

In marketing, the importance and necessity of labelling of a product can be mentioned as follows:

1. Labelling identifies the product

Label helps to identify the product and brand. It popularizes the product and its brand name.

2. Labelling grades the product

Label helps to express grade of the product. For example, wheat can be express with the grades such as 1, 2, 3, 4. Label becomes useful to grade any product according to its quality.

3. Labelling describes the product

Label gives introduction of the product, describes and expresses its grade. Information and instructions about- who manufactured the product, when and where it was manufactured, how many ingredients have been used in it, how to use the product, how to keep the product safe, etc. are given on the label. This becomes helpful to the customers.

4. Labelling promotes the product

Label helps to promote product. Customers' attention is drawn by attractive and fascinating graphs, figures or marks. This motivates the customers to buy the product. Label plays and important role in sales and distribution as it makes the customers take buying decision.

5. Labelling protects the customers

Label protects the customers. As maximum selling price, quantity, quality etc. are mentioned on the label, the customers are protected from the possible malpractice of middlemen.

Types of Labels

Labels can be divided in four types. They are brand label, grade label, descriptive label and informative label.

1. Brand label

If only brand is used on package of a product, this is called brand label. Brand itself is expressed in label. Brand label is put on some cloth. It tells the name of the cloth, e.g, 'Sanforised'. Similarly, label is used on soap e.g, Lux, Hamam, Rexona etc.

2. Grade label

Some products have given grade label. Grade label shows the grade of the product. It shows the quality of products by words, letters, or figure. A,B,C,D grade can be put on peas packed into cans. Similarly, grade label can be mentioned as 1,2,3,4 grades for packed wheat,. Some firms may use labels as good, better, best etc. on their products.

3. Descriptive label

Descriptive label give information about the feature, using instruction, handling, security etc. of the products. Descriptive label is used for the products whose grade cannot be differentiated.

4. Informative label

Informative label gives information about the product. Using method and security of the product, name of the producer, manufactured date, expiry date, name of intermediary, additional instructions regarding the use of the product etc. are mentioned in informative label. Descriptive label gives general information about the product whereas informative label gives maximum information about the product including its use, manufacturer etc.

Product support

Product support typically refers to the services and assistance provided by a company to help customers resolve issues with their products, whether they're physical items or software. Product support can include:

1. Technical Assistance: Helping customers troubleshoot or resolve issues related to product functionality or performance.

2. Product Documentation: Providing manuals, guides, FAQs, and other resources to help customers understand how to use the product effectively.

3. Repairs and Replacements: Offering repair services or product replacements in case of defects or damage under warranty.

4. Software Updates: For tech products, this includes patches, upgrades, and updates to improve performance or fix bugs.

5. Customer Service: Addressing any inquiries regarding billing, returns, or product features.

Product Lifecycle

The product lifecycle refers to the stages a product goes through from its initial development to its eventual decline or discontinuation. It is typically broken down into five key stages:

1. Development (Introduction Stage):
   - This is the phase where a product is conceptualized, designed, and developed. It includes market research, prototype testing, and product refinement.
   - Sales are usually low as the product is not yet widely known, and significant investment is required in marketing and promotion.
2. Introduction (Growth Stage):
   - The product is launched into the market. Early adopters begin to purchase it.
   - Sales growth starts to accelerate, and marketing efforts are intensified to build brand awareness.
   - The product may face competition as other companies notice its success.
3. Growth (Maturity Stage):
   - The product reaches widespread market acceptance and experiences rapid growth in sales.
   - Competitors enter the market, and companies may engage in differentiation strategies to stand out.
   - Profits are typically high during this stage, but growth may start to slow down as the market becomes saturated.
4. Maturity (Saturation Stage):
   - Sales growth slows down, and the market becomes saturated. Most potential customers have already purchased the product.

- The competition is fierce, and companies often engage in price reductions, promotional offers, and product modifications to maintain or increase market share.
- Profits begin to decline as costs of maintaining market share rise.

5. Decline:

- The product's sales begin to decrease due to various factors such as new technology, changes in consumer preferences, or the emergence of substitute products.
- Companies may decide to discontinue the product, reduce its marketing efforts, or attempt to find new uses or markets for it.
- In some cases, a product may enter a niche market or undergo a revival through rebranding or reengineering.

New Product Development

New Product Development (NPD) is the process of bringing a new product to market, from the initial idea to its launch. It involves several stages that ensure the product meets market needs and achieves business objectives. Here's an overview of the typical stages of NPD:

1. Idea Generation

- Source of Ideas: Ideas can come from internal brainstorming, customer feedback, competitors, market trends, or technological advancements.

- Creative Techniques: Techniques like brainstorming, SWOT analysis, and customer surveys help generate innovative ideas.

2. Idea Screening

- This stage filters out ideas that are unfeasible or unlikely to meet market needs.

- Evaluation criteria may include cost, potential market size, technical feasibility, and alignment with the company's strategic goals.

3. Concept Development and Testing

- Concept Development: Ideas are turned into more detailed concepts.

- Market Testing: Prototypes or mockups are tested with target customers to gather feedback and refine the concept.

- Focus groups, surveys, or A/B testing can be used to validate the concept.

4. Business Analysis

- A detailed analysis is done to assess the commercial viability of the product, including cost estimation, pricing, expected profit margins, and sales forecasts.

- Break-even analysis and risk assessments are typically performed.

5. Product Development

- Design and Engineering: This involves turning the concept into a real product. Designers and engineers work on the product’s features, usability, and manufacturability.

- Prototyping: A prototype is created to further test functionality, design, and user experience.

6. Market Testing

- After developing the prototype, the product undergoes market testing in a small, controlled environment (e.g., test markets or pilot groups).

- Feedback is gathered to refine the product further before launching.

7. Commercialization

- Launch Plan: Develop a detailed launch plan, including marketing strategies, sales channels, and distribution.

- Manufacturing: The product goes into full-scale production, ensuring supply chains are in place.

8. Post-Launch Review and Maintenance

- Once the product is launched, companies monitor its performance, customer feedback, and market response.

- Adjustments and improvements may be made to the product or marketing strategy to ensure continued success.

Effective NPD involves cross-functional collaboration, incorporating insights from marketing, engineering, production, and finance teams to ensure the new product resonates with the target market and meets business goals.

Pricing objectives:

Pricing objectives are the goals that a business aims to achieve through its pricing strategy. These objectives help guide the decisions about how much to charge for products or services. Common pricing objectives include:

Profit Maximization: The primary goal for many businesses is to maximize profits. This involves setting prices that generate the highest possible revenue while managing costs effectively. Businesses may use strategies like price skimming or premium pricing to achieve this.

Revenue Maximization: Some businesses focus on maximizing their total revenue, regardless of profit margins. This might involve setting lower prices to increase sales volume, often used in competitive or price-sensitive markets.

Market Penetration: This objective aims to capture a large share of the market quickly. Companies may set lower prices initially to attract customers and gain market share, with the goal of increasing sales volume and building brand loyalty over time.

Market Skimming: This involves setting a high price initially, targeting customers willing to pay a premium. Over time, the price may be gradually reduced to attract more price-sensitive customers. It’s commonly used with innovative products or those with limited competition.

Competitive Pricing: This strategy focuses on setting prices based on competitors' prices. Businesses aim to remain competitive in the market, either by pricing similarly or differentiating with added value to justify higher prices.

Target Return on Investment (ROI): This objective seeks to set prices that will generate a specific return on investment. Companies may aim for a particular profit margin or return based on their costs and expected sales volume.

Psychological Pricing: Pricing can be set based on psychological factors, such as setting a price just below a round number (e.g., $9.99 instead of $10). This can create the perception of a better deal and encourage purchases.

Survival: In difficult market conditions or economic downturns, businesses may focus on survival by setting prices low enough to attract customers and cover costs, with the goal of staying afloat until conditions improve.

Quality Leadership: Some businesses set higher prices to position their product or service as the best in terms of quality, service, or brand reputation. The high price acts as an indicator of superior quality.

Prestige Pricing: This objective aims to create a sense of exclusivity and luxury. Prices are set high to appeal to a niche market looking for premium products or services.

Each business will prioritize these objectives differently based on its market, product offerings, and overall strategy.

Pricing Policies and Pricing Strategies

Pricing Policies and Pricing Strategies are essential components of a business's overall marketing strategy. They help a company determine how to price its products or services in a competitive and profitable way. Here's an overview of both:

1. Pricing Policies

Pricing policies define the framework for setting and adjusting prices. These policies guide businesses in how to approach pricing based on their goals, market conditions, and competitive dynamics. Some common pricing policies include:

- Cost-Plus Pricing: A price is determined by adding a fixed percentage to the cost of producing the product. It's a straightforward approach often used when costs are predictable.
- Value-Based Pricing: Prices are set based on the perceived value to the customer rather than the actual cost of production. This is common in premium products or services.
- Dynamic Pricing: Prices are adjusted based on real-time market demand and other variables, often used in industries like travel and entertainment.
- Penetration Pricing: Setting a low initial price to attract customers and gain market share quickly, with plans to increase prices later.
- Skimming Pricing: Setting a high initial price to target customers willing to pay a premium, then gradually lowering the price to attract different customer segments over time.
- Psychological Pricing: Prices are set to appear more attractive (e.g., $9.99 instead of $10), leveraging consumer psychology.

2. Pricing Strategies

Pricing strategies are the specific approaches used to achieve long-term goals such as maximizing profitability, gaining market share, or competing with other businesses. Here are some common strategies:

- Competitive Pricing: A strategy where a business sets prices based on the prices of competitors. It can involve pricing slightly lower, higher, or at parity to attract different customer segments.
- Price Leadership: A strategy where a company sets the price in the market, and competitors adjust their prices accordingly.
- Bundle Pricing: Offering multiple products or services together at a single price, often lower than the total cost of buying them individually, to encourage more purchases.
- Premium Pricing: Setting a high price to reflect the quality or exclusivity of a product, typically used for luxury or high-end items.
- Discount Pricing: Offering periodic discounts or promotions to attract more customers or clear excess inventory.
- Geographic Pricing: Adjusting prices based on the location of the customer. For example, shipping costs might be incorporated into the price for customers in different regions.
- Freemium Pricing: Offering a base product or service for free, while charging for premium features or additional content.

3. Factors Affecting Pricing Decisions

- Cost of production: The cost of materials, labor, and overhead will play a significant role in determining pricing.
-Customer demand: Higher demand may allow for higher pricing, while lower demand may necessitate discounting.
- Market conditions: Economic conditions, competition, and market saturation can affect how a company sets its prices.

- Legal and ethical considerations: Price fixing or deceptive pricing practices can lead to legal penalties.

Conclusion

Pricing policies and strategies should align with the company’s broader business objectives. Whether a company is aiming for rapid growth, maintaining high margins, or establishing itself as a market leader, the right pricing approach is essential for success.

Pricing of New Products

Pricing new products is a critical decision in marketing and business strategy. The price you set can influence how well the product performs in the market, its profitability, and customer perception. Here are some key approaches and factors to consider when pricing new products:

1. Cost-Plus Pricing

- Description: This method involves adding a fixed percentage markup to the cost of producing the product. It's straightforward and ensures that the company covers its production costs.
- Pros: Easy to calculate, guarantees profit margin if costs are accurately determined.
- Cons: Doesn't take into account customer demand or competitor pricing, which can lead to overpricing or underpricing.

2. Value-Based Pricing

- Description: The price is based on the perceived value to the customer rather than the cost to produce the product. It requires an understanding of customer needs and how much they are willing to pay for the benefits your product offers.
- Pros: Can result in higher profits if customers see high value in the product.
- Cons: Requires significant market research and understanding of customer perception, which can be challenging and time-consuming.

3. Penetration Pricing

- Description: This strategy involves setting a low price initially to gain market share quickly. The price is then gradually increased once the product has established a customer base.

- Pros: Attracts customers quickly and builds a loyal customer base.

- Cons: Low initial prices might not cover costs, and the price increase later may cause customer dissatisfaction.

4. Skimming Pricing

- Description: Here, a high price is set initially to "skim" the maximum amount of revenue from the most interested or less price-sensitive customers. The price is then lowered over time to attract a broader market.

- Pros: Maximizes profit from early adopters and helps recover R&D or marketing costs quickly.

- Cons: High prices may limit early sales and can lead to competition copying your product and offering lower prices.

5. Competitive Pricing

- Description: Pricing is based on what competitors are charging for similar products. You can set your price at the same level, lower, or higher, depending on your strategy.

- Pros: Easier to set prices based on market conditions and competitor behaviour.

- Cons: Risks of price wars and the need to constantly monitor competitors.

6. Psychological Pricing

- Description: This includes pricing strategies like $9.99 instead of $10.00 to make the product appear cheaper. It’s based on how customers perceive prices.

- Pros: Can drive higher sales by tapping into customer behaviour.

- Cons: It may have a limited impact, and overly relying on these tactics can harm brand perception.

7. Bundling Pricing

- Description: Offering a bundle of products at a lower price than if each product were purchased separately.
- Pros: Increases sales volume and encourages customers to purchase more.
- Cons: Potentially reduces profit margin on individual products.

Factors to Consider:

- Market Demand: The higher the demand, the higher the price you can set.
- Target Audience: Understand your customer's willingness to pay and purchasing power.
- Competition: Know how your product compares to others in terms of quality, features, and pricing.
- Product Life Cycle: Early stages of the product may require different pricing strategies than the growth or maturity stages.
- Cost Structure: Always account for production, distribution, marketing, and other costs.
- Brand Positioning: Premium pricing might be appropriate for luxury or high-end products, while more affordable pricing may suit mass-market goods.

Choosing the right pricing strategy depends on the nature of the product, business goals, and market dynamics.

UNIT-IV

DISTRIBUTION AND PROMOTION DECISIONS

Channels of Distribution

Various marketing intermediaries are used in transferring the products from the hands of producers to the final consumers or industrial users. These marketing intermediaries carry alternate names such as wholesalers, distributors, retailers, franchised dealers, jobbers,authorized dealers and agents. Such marketing intermediaries compromise the distribution channel. These distribution channels minimize the gap between point of production and point of consumption, and thereby create place, time and possession utilities.

Distribution is the process of making a product or service available for the consumer or business user that needs it. This can be done directly by the producer or service provider, or using indirect channels with intermediaries. The other three parts of the marketing mix are product, pricing, and promotion. The distribution function of marketing is comparable to the place component of the marketing mix in that both centre on getting the goods from the producer to the consumer. A distribution channel in marketing refers to the path or route through which, goods and services travel to get from the place of production or manufacture A marketing channel is the people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption. It is the way products and services get to the end-user, the consumer; and are also known as a distribution channel.

Importance of Distribution Channels

Distribution Channels perform a crucial role in the successful distribution and marketing of all products. They have various contacts, expertise and wider knowledge of the products.

The rapidly growing markets and increasing complexities of distribution have increased the demand and requirement of the distribution channels.

The role of distribution channels can be summarised as follows:

1. Distribution channels offer salesmanship: The distribution channels offer pivotal role of a sales agent. They help in creating new products in market. They specialize in word of mouth selling and promotion of products. They assure pre-sale and post-sale service to the consumers. Since these channels are in direct and regular contact with the consumers. they do salesmanship very well and at the same time provide true and valuable feedback to the producers.

2. Distribution channels increase distributional efficiency: The intermediary channels ease the sales process as they are in direct contact with the customers. They narrow down the gap between producers and consumers both economically and efficiently. These intermediaries reduce the number of transactions involved in making products available from producers to consumers. For instance, there are four producers who are targeting to sell their products to four customers. If there is no distribution channel involved, then there will be sixteen transactions involved. But if the producers use distribution channels, then the number of transactions involved will be reduced to eight(four from producer to intermediary and four from intermediary to customer), and thereby the transportation costs and efforts will also be reduced.

3. The channels offer products in required assortments: Just like the producers have expertise in manufacturing products, similarly the intermediaries have their own expertise. The wholesalers specialize in moving and transferring products from various producers to greater number of retailers. Similarly, the retailers have expertise in selling a wide assortment of goods in less quantity to a greater number of final customers. Due to the presence of distribution channels(wholesalers and retailers), it is possible for a consumer

to buy the required products at right time from a store conveniently located(geographically closer) rather than ordering from a far located factory. Thus, these intermediaries break the bulk and meet the less quantity demand of the customers.

4. They assist in product merchandising: It is actually the merchandising by intermediaries which fastens the product movement from the retail shop desk to the customers basket. When a customer goes to a retail shop, he may be fascinated by the attractive display of some new product, may get curious about that new product, and he may switch over to that new product leaving his regular product. Thus merchandising activities of the intermediaries serve as a quiet seller at a retail store.

5. The channels assist in executing the price mechanism between the firm and the final customers: The intermediaries help in reaching a price level which is acceptable both to the producers as well to the consumers.

6. Distribution channels assist in stock holding: The intermediaries perform various other functions like financing the products, storing the products, bearing of risks and providing required warehouse space.

Thus, the distribution channels are a vital constituent of a firms comprehensive marketing strategy. They assist in expanding product reach and availability, as well in increasing revenue.

Role and Significance/Importance of Distribution Channels

Distribution Channels perform a crucial role in the successful distribution and marketing of all products. They have various contacts, expertise and wider knowledge of the products. The rapidly growing markets and increasing complexities of distribution have increased the demand and requirement of the distribution channels.

Types of Channel of Distribution

Different types of channel of distribution are as follows:

Manufacturers and consumers are two major components of the market. Intermediaries perform the duty of eliminating the distance between the two. There is no standardised level which proves that the distance between the two is eliminated.

Based on necessity the help of one or more intermediaries could be taken and even this is possible that there happens to be no intermediary. Their description is as follows:

(A) Direct Channel or Zero Level Channels:

When the manufacturer instead of selling the goods to the intermediary sells it directly to the consumer then this is known as Zero Level Channel. Retail outlets, mail order selling, internet selling and selling

(B) Indirect Channels:

When a manufacturer gets the help of one or more middlemen to move goods from the production place to the place of consumption, the distribution channel is called indirect channel. Following are the main types of it:

1. One Level Channel:

In this method an intermediary is used. Here a manufacturer sells the goods directly to the retailer instead of selling it to agents or wholesalers. This method is used for expensive watches and other like products. This method is also useful for selling FMCG (Fast Moving Consumer Goods). This channel is clarified in the following diagram:

2. Two Level Channels:

In this method a manufacturer sells the material to a wholesaler, the wholesaler to the retailer and then the retailer to the consumer. Here, the wholesaler after purchasing the material in large quantity from the manufacturer sells it in small quantity to the retailer.

Then the retailers make the products available to the consumers. This medium is mainly used to sell soap, tea, salt, cigarette, sugar, ghee etc. This channel is more clarified in the following diagram:

3. Three Level Channels:

Under this one more level is added to Two Level Channel in the form of agent. An agent facilitates to reduce the distance between the manufacturer and the wholesaler. Some big companies who cannot directly contact the wholesaler, they take the help of agents. Such companies appoint their agents in every region and sell the material to them.

Then the agents sell the material to the wholesalers, the wholesaler to the retailer and in the end the retailer sells the material to the consumers.

Wholesaling and Retailing

Wholesaling and retailing are two important components of the distribution chain that connect manufacturers with consumers. They differ in their functions, target customers, and operations.

Wholesaling

Definition: The sale of goods in large quantities to businesses or retailers for resale or business use.

Customers: Retailers, industrial users, institutions, or other businesses.

Function:

Acts as an intermediary between manufacturers and retailers.

Buys goods in bulk from producers at a lower cost.

Often provides storage, transportation, and logistics support.

Examples:

Cash-and-carry wholesalers.

Distributor networks.

E-commerce B2B platforms like Alibaba.

Key Features:

Lower profit margins but high-volume sales.

Not directly customer-facing.

Retailing

Definition: The sale of goods and services in smaller quantities directly to end consumers.

Customers: Individual buyers or consumers.

Function:

Provides goods and services to meet daily needs.

Offers customer service and a shopping experience.

Examples:

Supermarkets, convenience stores, malls.

Online retailers like Amazon or Flipkart.

Key Features:

Higher profit margins but smaller volumes compared to wholesaling.

Focuses on marketing, customer experience, and location.

Differences between Wholesaling and Retailing

Feature	Wholesaling	Retailing
Target Audience	Businesses (B2B)	Individual consumers (B2C)
Volume of Goods	Large quantities	Smaller quantities
Profit	Margins	Lower Higher
Role in Supply Chain	Middle link between manufacturers and retailers	Final link delivering to consumers
Marketing Focus	Minimal	High, customer-centric

Both wholesaling and retailing play vital roles in ensuring products reach consumers efficiently and effectively.

Promotional strategies

Promotional strategies are an excellent way for companies and organizations to communicate with a variety of audiences. Every promotional style can reach a diverse selection of people depending on age, location, or interests. Understanding promotional marketing can help you discover suitable ways to target a variety of audiences using different methods. In this article, we define types of promotions, explore what each form of promotion entails, and identify the pros and cons of each.

What are the types of promotions?

Businesses can use different types of promotions independently or in combination to reach their target audiences. Every company can target a unique audience depending on the products and services they offer. There are seven promotional categories, namely direct marketing, sales promotion, digital marketing, personal selling, general advertising, public relations, and sponsorships. Promotional marketing can be incredibly beneficial for long-term business success. Companies without promotional strategies can save money, but they typically operate at a disadvantage compared to their competitors. With promotion plans, businesses can increase their brand growth, customer loyalty, and market growth.

Seven promotional strategies

It's the goal of every promotional strategy to gain the attention and interest of the target audience and to improve the reputation of the business. Here's a list of the seven promotion types:

1. Direct marketing

Direct marketing reaches out to specific companies or people to inform them of services, upcoming sales, or new products. Forms of direct marketing include e-mails, direct mail, phone calls, and flyers. Direct marketing is a fast and effective way to promote products and services. For example, companies can send out a targeted e-mail campaign to reach customers.

2. Sales promotion

A sales promotion involves using short-term initiatives to increase product demand and sales. Examples of sales promotions include flash discounts, giveaways, coupons, and loyalty reward programs. This method of promotion is a good way to announce new products, engage new customers, and sell the remaining inventory of an old product. Businesses may use sales promotion to sustain popularity during the holiday seasons because of the surge in product demand and the use of competitive pricing.

3. Digital marketing

Digital marketing involves online or web advertising, such as content marketing, search engine optimization, social media marketing, and affiliate marketing. With digital marketing, companies can establish a connection with a wider audience. This promotion method is also very efficient because it can operate on a global scale in a small amount of time.

4. Personal selling

The personal selling strategy involves person-to-person communication. This may include meeting with customers face-to-face or over the phone. The goal of personal selling is to form meaningful relationships with customers or clients. An example of an enterprise that uses personal selling is car dealerships, as they rely heavily on building relationships with their customers in order to develop their trust and loyalty.

5. General advertising

General advertising is a promotional method that doesn't target a particular audience but aims to promote general awareness of a company or product. With this method, businesses use mass media advertising, such as magazines, billboards, radio, and television, to improve their brand recognition. General advertising typically has multiple objectives, which include promoting a product to first-time consumers, establishing a brand in the market, encouraging existing users to purchase new services, and launching new products.

6. Public relations

Public relations, also known as PR, assists with the preservation of a company's public image. When a company uses public relations, it intends to influence the way its audience perceives it. Some examples of PR campaigns include press releases, publicity stunts, and social media endorsements. This strategy can help a company or brand protect, enhance, or rebuild its reputation.

7. Sponsorship

Sponsorship is a common type of promotional marketing where a company pays a fee to a person or helps fund an event in return for publicity and advertising. With sponsorships, businesses can strengthen the credibility of their advertisements by partnering with a well-established person or brand. Having the support of an influential person or successful brand can increase popularity, sales, and reputation.

Promotion Mix

The promotion mix refers to the combination of various marketing tools and strategies that a business uses to promote its products or services to its target audience. It is a key component of the broader marketing mix (which includes Product, Price, Place, and Promotion). The promotion mix involves the following elements:

1. Advertising

- Non-personal communication that uses paid channels like television, radio, print media, online ads, and billboards.

- Aimed at creating awareness, informing, and persuading consumers about a product or service.

Example: Coca-Cola's TV commercials and social media campaigns.

2. Sales Promotion

- Short-term incentives to encourage the purchase or sale of a product or service.

- Includes discounts, coupons, contests, free samples, and loyalty programs.

Example: "Buy one, get one free" offers or holiday sales.

3. Public Relations (PR)

- Activities aimed at building a positive public image and managing the company's reputation.
- Involves press releases, sponsorships, events, and crisis communication.

Example: A tech company sponsoring educational programs to enhance its brand image.

4. Personal Selling

- Direct, face-to-face interaction between a salesperson and a potential customer to persuade them to buy.
- Effective in B2B (business-to-business) markets or for high-value products.

Example: A real estate agent giving a personalized tour of a property.

5. Direct Marketing

- Communication directly with the target audience to elicit a response or transaction.
- Includes emails, telemarketing, catalog distribution, and direct mail.

Example: Amazon sending personalized email recommendations to customers.

6. Digital/Online Marketing

- Modern addition to the mix, leveraging digital platforms like social media, search engines, websites, and email.
- Includes strategies like content marketing, SEO (Search Engine Optimization), influencer partnerships, and online ads.

Example: Nike's campaigns on Instagram and YouTube.

7. Sponsorships and Partnerships

- Collaborating with events, individuals, or other brands to promote products.
- Builds brand visibility and loyalty.

Example: Pepsi sponsoring major sports events like the Super Bowl.

Factors Influencing the Promotion Mix

1. Nature of the Product: Consumer goods rely more on advertising, while industrial goods may focus on personal selling.

2. Target Audience: Demographics, preferences, and media habits affect the choice of promotional tools.

3. Budget: The available budget determines the extent of advertising or other promotions.

4. Stage in Product Life Cycle: Introduction stages focus on awareness, while maturity stages emphasize differentiation.

5. Market Competition: Competitive strategies often require aggressive promotion.

6. Company Goals: Brand building versus immediate sales growth influences the mix.

By strategically blending these elements, companies can effectively communicate with their audience and achieve their marketing objectives.

Advertising

Advertising is the practice of promoting products, services, or ideas through various forms of media to influence and persuade potential customers to take action, such as making a purchase, signing up for a service, or supporting a cause. It can involve a variety of platforms, including television, radio, print, online, social media, and outdoor signage.

The main types of advertising include:

Print Advertising: Ads placed in newspapers, magazines, and brochures.

Broadcast Advertising: Television and radio ads.

Digital Advertising: Includes online ads on websites, search engines, and social media platforms.

Outdoor Advertising: Billboards, posters, and digital screens.

Direct Mail Advertising: Physical mail sent to potential customers with promotional material.

Influencer and Social Media Advertising: Utilizing social media platforms to promote products through influencers or direct campaigns.

Effective advertising often uses a combination of strategies, including appealing visuals, compelling messages, emotional triggers, and targeting specific demographics to ensure the ad reaches the right audience.

Objectives of Advertising

Advertising serves several key objectives, depending on the goals of the business or organization. Some of the primary objectives of advertising include:

1. **Brand Awareness**: The main goal of many advertisements is to introduce a brand, product, or service to a new audience, making them aware of its existence. This is crucial for new businesses or products entering the market.
2. **Product Promotion**: Advertising can be used to promote specific products or services, highlighting their features, benefits, or special offers to encourage consumers to make a purchase.
3. **Persuasion**: Persuasive advertising seeks to convince potential customers to choose a particular product or service over competitors. This may focus on aspects like quality, value, or brand reputation.
4. **Customer Retention**: Some advertising aims to maintain the loyalty of existing customers. This can involve reminding customers about the brand or product they already use, offering new benefits, or announcing updates.
5. **Information Dissemination**: Advertising often aims to inform consumers about product features, how it works, new launches, or special promotions. This can help consumers make informed decisions.
6. **Market Expansion**: Through advertising, businesses can target new geographical locations or demographic segments to increase their customer base.

7. **Building Brand Image**: Advertising can shape a brand's image by promoting values such as trustworthiness, innovation, or luxury, which helps create a strong emotional connection with consumers.

Characteristics of Advertising

Effective advertising typically exhibits several characteristics that make it impactful. These include:

1. **Creativity**: Advertising needs to stand out, and creativity is key. Effective ads often use innovative visuals, storytelling, humor, or emotional appeals to capture attention and make a lasting impression.
2. **Persuasiveness**: An ad must be persuasive enough to influence consumer behavior. Whether by emphasizing product benefits, creating urgency, or establishing a strong emotional connection, persuasive advertising drives action.
3. **Targeted**: Good advertising is targeted to a specific audience. This involves demographic factors (age, gender, income) and psychographic factors (lifestyle, values, interests) to ensure the message reaches the right people.
4. **Consistency**: Consistent messaging across various platforms helps build brand recognition and trust. Repetition of the brand message ensures that it sticks with the audience.
5. **Appealing**: Advertising must be visually and emotionally appealing to attract and retain the attention of the audience. This can include eye-catching designs, memorable slogans, and compelling calls to action.
6. **Clarity**: The message of an advertisement should be clear and easy to understand. Confusing or overly complicated ads can lose the audience's interest and may not achieve their intended goal.

7. **Relevance**: The content of the advertisement must be relevant to the audience's needs, desires, or current situations. Relevance increases the likelihood that the advertisement will resonate with viewers and lead to conversions.
8. **Ethical**: Advertising should adhere to ethical standards, avoiding misleading claims, exaggeration, or offensive content. Ethical advertising fosters trust and a positive relationship with the audience.
9. **Engagement**: Effective advertising encourages consumer interaction, whether through social media engagement, contests, or calls to action that prompt the audience to take the next step.

In summary, advertising aims to inform, persuade, and remind consumers while also creating a positive image of the brand. Its characteristics—creativity, persuasion, and clarity—help ensure that the message resonates with and motivates the target audience.

Personal Selling

Personal Selling is a form of direct marketing that involves personal interaction between a sales representative and a potential customer to promote and sell a product or service. This method emphasizes building relationships, understanding customer needs, and providing tailored solutions. It is especially effective in situations where products or services require explanation, customization, or negotiation.

Key Features of Personal Selling

1. Direct Interaction: A face-to-face or direct communication between the salesperson and the customer.

2. Two-Way Communication: It allows both the salesperson and the customer to exchange information, resolve queries, and discuss requirements.

3. Relationship Building: Establishing trust and rapport with the customer is central to this approach.

4. Customization: Solutions and recommendations are tailored to individual customer needs.

5. Persuasion: The salesperson uses their skills to influence the customer's purchasing decision.

Steps in the Personal Selling Process

1. Prospecting and Qualifying: Identifying potential customers and determining their likelihood of becoming actual buyers.

2. Pre-Approach: Researching the customer and planning the sales interaction.

3. Approach: Making the initial contact with the customer to establish rapport.

4. Presentation: Demonstrating how the product or service meets the customer's needs.

5. Handling Objections: Addressing any concerns or reservations the customer might have.

6. Closing the Sale: Securing the customer's agreement to purchase.

7. Follow-Up: Ensuring customer satisfaction and maintaining the relationship post-sale.

Advantages of Personal Selling

- High customer engagement and feedback.
- Effective for complex products or services.
- Opportunity to build long-term relationships.
- Flexibility in addressing specific customer concerns.

Challenges of Personal Selling

- Time-intensive and expensive compared to mass marketing.
- Relies heavily on the salesperson's skills and abilities.
- May not be cost-effective for low-margin or widely distributed products.

Applications of Personal Selling

- High-value or customized products (e.g., real estate, machinery).
- Business-to-business (B2B) sales.

- Services that require explanation (e.g., insurance, consultancy).

Personal selling remains a cornerstone strategy in industries where trust, relationship-building, and detailed product explanations are essential.

Personal Selling: Importance and Process

Personal selling is a direct, face-to-face interaction between a salesperson and a potential customer with the goal of making a sale, building relationships, or providing tailored solutions to the customer's needs.

Importance of Personal Selling

1. Builds Personal Relationships: Direct interaction allows for establishing trust and rapport, fostering long-term relationships.

2. Customizes Solutions: Salespeople can understand the unique needs of each customer and tailor solutions accordingly.

3. Provides Immediate Feedback: Both the salesperson and the customer can ask questions and address concerns in real-time.

4. Demonstrates Products/Services: Salespeople can showcase features, benefits, and uses effectively, leading to better understanding and persuasion.

5. Facilitates Complex Sales: For high-value or technically sophisticated products, personal selling provides the detailed explanation customers often require.

6. Influences Buying Decisions: A skilled salesperson can highlight the value of a product or service, thereby influencing purchase decisions.

Process of Personal Selling

1. Prospecting

   - Identifying potential customers (leads) who may benefit from the product or service.

   - Tools: Market research, referrals, networking, and databases.

2. Pre-approach

- Gathering information about the prospect.
- Planning the sales approach by understanding the customer's needs, preferences, and challenges.

3. Approach
   - Initial contact with the customer to make a good first impression.
   - Building rapport and setting the tone for the interaction.
4. Presentation and Demonstration
   - Explaining the product/service features, advantages, and benefits (FAB).
   - Addressing how the offering meets the customer's specific needs.
5. Handling Objections
   - Listening to and addressing the customer's concerns or reservations.
   - Clarifying misunderstandings and reinforcing the product's value.
6. Closing the Sale
   - Securing agreement or commitment from the customer to make a purchase.
   - Techniques: Summarizing benefits, offering incentives, or creating urgency.
7. Follow-Up
   - Ensuring customer satisfaction post-sale.
   - Building a relationship for repeat business or referrals.

Personal selling remains a vital strategy in industries where customization, relationship-building, and direct communication are key to securing and maintaining customers.

Sales Promotion

Sales Promotion refers to a set of marketing techniques aimed at increasing the immediate sale of a product or service. These tactics often focus on short-term incentives to boost consumer interest, purchase rates, or dealer effectiveness. Sales promotions can target consumers, retailers, or even the sales team itself.

Key Characteristics of Sales Promotion

1. Short-Term Orientation

Sales promotion campaigns are usually designed to achieve quick results, such as increasing sales over a weekend or during a holiday season.

2. Incentive-Based

They offer something extra to customers or intermediaries, such as discounts, coupons, free samples, contests, or loyalty rewards, to encourage purchasing.

3. Target-Specific

Sales promotions can be directed at specific groups:

- Consumers (e.g., discounts, contests, freebies)
- Retailers (e.g., trade allowances, display incentives)
- Sales staff (e.g., bonuses, prizes)

4. Complementary Role

Sales promotions typically support other marketing activities like advertising, public relations, and personal selling rather than replacing them.

5. Immediate Impact

Their goal is often to drive immediate customer action, like purchasing a product within a specified timeframe.

6. Varied Formats

Sales promotions can take many forms, including:

- Price reductions, Buy-one-get-one-free (BOGO) deals, Cashback offers, Sweepstakes and games, Point-of-sale (POS) displays, Limited-time offers

7. Easily Measurable

Because they are time-bound and result-focused, sales promotions are often easier to evaluate for effectiveness compared to long-term strategies like branding.

8. Encourage Trial and Switching

They are especially useful in introducing new products or encouraging customers to switch brands.

9. Risk of Overuse

Excessive reliance on sales promotions can lead to "deal-prone" customers, where consumers wait for offers rather than buying at full price, potentially eroding brand value over time.

By effectively integrating sales promotions into a broader marketing strategy, businesses can achieve both short-term sales goals and long-term brand loyalty.

UNIT-V

MORDERN MARKETING TECHNIQUES

Modern Marketing

Modern marketing refers to the use of innovative strategies and tools to create, communicate, and deliver value to customers in the digital age. It focuses on building relationships with consumers and utilizing technology, data, and creativity to meet their evolving needs. Below are key aspects of modern marketing:

Key Principles

Customer-Centric Approach

Prioritizing the needs, preferences, and experiences of customers.

Emphasizing personalized marketing to create stronger connections.

Data-Driven Decision Making

Leveraging analytics and consumer insights for informed strategies.

Tracking key performance metrics like ROI, engagement, and conversions.

Digital Transformation

Integrating digital platforms such as social media, websites, and apps.

Utilizing artificial intelligence (AI), chatbots, and automation tools.

Omni channel Marketing

Providing seamless customer experiences across multiple channels.

Ensuring consistent messaging through online and offline platforms.

Modern Marketing Strategies

Content Marketing

Producing valuable, relevant, and engaging content for target audiences.

Formats include blogs, videos, infographics, podcasts, and webinars.

Social Media Marketing

sing platforms like Instagram, Facebook, TikTok, and LinkedIn.

Engaging directly with users through storytelling and interactive posts.

Influencer Marketing

Collaborating with influencers who have significant online followings.

Building trust and expanding reach within niche markets.

Search Engine Optimization (SEO)

Optimizing content for search engines to improve visibility.

Includes keyword research, backlinks, and high-quality content.

Email Marketing

Sending personalized and targeted messages to subscribers.

Often used for nurturing leads and retaining customers.

Experiential Marketing

Creating memorable brand experiences through events or activities.

Examples include pop-up shops and interactive campaigns.

Trends in Modern Marketing

Artificial Intelligence (AI)

Predictive analytics and AI-generated content are gaining prominence.

Chat bots and recommendation algorithms enhance customer interactions.

Sustainability and Ethical Marketing

Promoting eco-friendly practices and corporate social responsibility (CSR).

Resonating with conscious consumers who value transparency.

Augmented Reality (AR) and Virtual Reality (VR)

Immersive experiences for product demonstrations and virtual try-ons.

Voice Search and Smart Devices

Optimizing for voice-activated assistants like Alexa and Google Assistant.

Challenges in Modern Marketing

Adapting to rapid technological changes.

Maintaining consumer trust in an era of data breaches.

Standing out in oversaturated markets.

Modern marketing requires businesses to stay agile and innovative while maintaining a deep understanding of their audience.

Direct Marketing

Direct Marketing is a form of advertising that communicates directly with the target audience to elicit a specific action, such as making a purchase, signing up for a service, or attending an event. It involves reaching out to potential customers through personalized messages and often bypasses traditional mass media channels.

Key Features of Direct Marketing

Personalization

Messages are tailored to individual preferences and needs.

Helps build stronger customer relationships.

Direct Communication

Directly engages with customers without intermediaries.

Examples include emails, SMS, and direct mail.

Call to Action (CTA)

Campaigns focus on prompting an immediate response, such as:

Clicking a link.

Making a phone call.

Filling out a form.

Measurability

Easy to track campaign success using metrics like response rates, conversions, and ROI.

Methods of Direct Marketing

Email Marketing

Sending targeted promotional emails or newsletters.

Cost-effective with broad reach.

SMS and Text Messaging

Quick, direct messages to mobile devices.

Ideal for time-sensitive promotions.

Direct Mail

Physical letters, brochures, or catalogs sent to addresses.

Tangible and personalized but higher in cost.

Telemarketing

Using phone calls to communicate offers or conduct surveys.

Allows for real-time interaction but can be perceived as intrusive.

Social Media Direct Messages (DMs)

Personal messages sent to users on platforms like Instagram or LinkedIn.

Effective for one-on-one engagement.

Coupon and Loyalty Programs

Incentives to encourage repeat purchases or new sign-ups.

Interactive Websites and Landing Pages

Dedicated web pages designed to capture leads or drive sales.

Advantages of Direct Marketing

Cost-Effectiveness

Low production costs compared to mass advertising.

Targeted Reach

Focuses on specific demographics or customer segments.

Quick Feedback

Direct response provides immediate insights into campaign performance.

Builds Relationships

Personalized communication fosters loyalty and trust.

Challenges of Direct Marketing

Privacy Concerns

Overuse of personal data can lead to mistrust or legal issues (e.g., GDPR, CCPA compliance).

Perception of Spam

Poorly targeted campaigns may annoy recipients.

Resource Intensive

Crafting personalized messages for large audiences can require significant effort.

Response Rate Variability

Success depends heavily on accurate targeting and messaging.

Social Marketing

Social marketing is a strategic approach that applies marketing principles to promote social good. It focuses on influencing behaviours that benefit individuals and society as a whole, rather than simply selling products or services. Social marketing often addresses issues such as public health, environmental conservation, safety, and community well-being.

Key Features of Social Marketing

Behavioral Focus: The primary goal is to change or reinforce behaviors, such as encouraging recycling, promoting health screenings, or reducing smoking.

Audience-Centered: Social marketing campaigns are designed based on an in-depth understanding of the target audience's needs, motivations, and barriers to change.

Social Good: Unlike commercial marketing, the objective is to achieve a positive societal outcome rather than profit.

4 Ps of Social Marketing:

Product: The desired behaviour or the benefits offered (e.g., healthier lifestyles).

Price: The cost or barriers to adopting the behaviour (e.g., time, effort, or financial expense).

Place: Channels where the target audience can engage or take action (e.g., schools, social media, community centers).

Promotion: Communication strategies to inspire behaviour change (e.g., advertisements, events, or social media campaigns).

Collaborative Approach: Often involves partnerships with governments, NGOs, corporations, and community organizations.

Examples of Social Marketing Campaigns

Public Health: Anti-smoking campaigns, promotion of vaccinations, or encouraging regular exercise.

Environmental Awareness: Campaigns for reducing plastic use, conserving water, or switching to renewable energy sources.

Road Safety: Campaigns promoting seat belt use, discouraging drunk driving, or raising awareness about pedestrian safety.

Challenges in Social Marketing

Overcoming resistance to behavioural change.

Ensuring cultural relevance and sensitivity.

Limited funding or resources compared to commercial marketing campaigns.

Measuring long-term impact on societal behavior.

Social marketing is a powerful tool to address pressing social issues and create meaningful change when executed effectively.

Relationship Marketing

Relationship marketing is a marketing strategy focused on building and maintaining long-term relationships with customers rather than just emphasizing short-term sales. It seeks to foster customer loyalty, satisfaction, and trust, aiming to create repeat business and advocacy for the brand.

Key Elements of Relationship Marketing

Customer-Centric Approach

Understanding and addressing customers' needs and preferences.

Personalizing interactions to make customers feel valued.

Long-Term Engagement

Emphasis on sustained relationships rather than one-time transactions.

Building a loyal customer base by delivering consistent value.

Two-Way Communication

Active listening to customer feedback.

Engaging customers in meaningful dialogues across multiple channels (email, social media, phone, etc.).

Customer Retention

Offering incentives like loyalty programs, discounts for repeat purchases, or exclusive offers for long-term customers.

Ensuring excellent post-purchase support and service.

Trust and Reliability

Transparency in business practices.

Consistent delivery on promises, creating a dependable brand image.

Technology and Data Utilization

Using CRM (Customer Relationship Management) systems to analyze customer data and improve interactions.

Leveraging social media and digital platforms to maintain ongoing relationships.

Benefits of Relationship Marketing

Customer Loyalty

Loyal customers are more likely to make repeat purchases and recommend the brand to others.

Increased Customer Lifetime Value (CLV)

Long-term customers often generate more revenue over time compared to acquiring new ones.

Cost Efficiency

Retaining customers is generally less expensive than acquiring new ones.

Brand Advocacy

Satisfied customers can become brand ambassadors, promoting the brand organically.

Enhanced Competitive Edge

Strong customer relationships can differentiate a brand in a crowded marketplace.

Examples of Relationship Marketing Strategies

Loyalty Programs: Starbucks Rewards program offering free drinks and perks for repeat customers.

Personalized Experiences: Amazon recommending products based on browsing history and past purchases.

Engagement on Social Media: Brands like Nike actively engaging with customers through social media campaigns.

Exclusive Benefits: Early access to sales or special events for long-term customers, such as Sephora's VIB program.

E-Marketing

E-Marketing (or electronic marketing) refers to the use of digital technologies and internet-based platforms to promote products, services, or brands. It encompasses a range of techniques and strategies designed to attract, engage, and retain customers in the online space.

Key Components of E-Marketing

1. Website Optimization:

   A website serves as the primary platform for online marketing.

   Focus on user experience (UX), responsive design, and search engine optimization (SEO).

2. Search Engine Marketing (SEM):

   Paid advertising on search engines like Google (e.g., Google Ads).

   Helps drive traffic and improve visibility for targeted keywords.

3. Social Media Marketing:

   Platforms like Facebook, Instagram, LinkedIn, Twitter, and TikTok are used for brand promotion and customer engagement.

   Includes organic content, paid ads, and influencer collaborations.

4. Email Marketing:

   Personalized emails to nurture leads, promote offers, or maintain customer relationships.

   Often uses tools like Mailchimp or HubSpot for automation.

5. Content Marketing:

Creating and sharing valuable content such as blogs, videos, infographics, and ebooks.

Builds brand authority and attracts potential customers organically.

6. Affiliate Marketing:

Partnering with affiliates who promote your products and earn commissions for sales driven by their referrals.

7. Pay-Per-Click (PPC) Advertising:

Paid ads on platforms like Google, Bing, or social media sites where you pay per click received.

8. Mobile Marketing:

Optimizing marketing strategies for mobile devices, including apps, SMS campaigns, and mobile-friendly content.

9. Influencer Marketing:

Collaborating with influencers to reach a broader or niche audience through authentic endorsements.

10. Analytics and Data Analysis:

Tools like Google Analytics or Adobe Analytics to track and measure campaign performance.

Data-driven insights help refine strategies.

Advantages of E-Marketing

- Cost-Effective: Often cheaper than traditional advertising.
- Global Reach: Access to a worldwide audience.
- Personalization: Tailored campaigns based on customer preferences and behaviors.
- Measurable Results: Real-time tracking of ROI and effectiveness.

- Engagement: Two-way communication with customers via social media and interactive content.

Challenges in E-Marketing

1. High Competition: Standing out in a crowded digital landscape.
2. Data Privacy: Ensuring compliance with regulations like GDPR or CCPA.
3. Technology Dependence: Keeping up with rapid changes in technology and platforms.
4. E-Marketing is a cornerstone of modern business strategies, helping companies adapt to the digital-first world while connecting with customers effectively.

Green Marketing

Green Marketing refers to the practice of developing and promoting products or services that are environmentally sustainable. It encompasses strategies that emphasize ecological responsibility, such as reducing waste, using renewable resources, and minimizing environmental impact. This approach appeals to consumers who are environmentally conscious and seek to make purchasing decisions that align with their values.

Key Features of Green Marketing

Eco-Friendly Products:

> Products designed to minimize environmental impact, such as biodegradable packaging or goods made from recycled materials.

Sustainable Practices:

> Utilizing renewable energy sources, reducing carbon footprints, and adopting sustainable manufacturing processes.

Transparency and Certification:

Clear communication about the environmental benefits of products or services, often supported by certifications like Energy Star, FSC (Forest Stewardship Council), or LEED (Leadership in Energy and Environmental Design).

Consumer Education:

Informing customers about how their choices can positively impact the environment.

Waste Reduction:

Strategies like reusable packaging, recycling initiatives, or offering repair services instead of replacements.

Advantages of Green Marketing

1. Brand Loyalty: Consumers are more likely to support brands that align with their environmental values.
2. Market Differentiation: Eco-friendly products stand out in competitive markets.
3. Compliance with Regulations: Adopting green practices can help companies adhere to environmental laws and standards.
4. Long-Term Profitability: Although initial costs may be higher, green marketing can reduce operational costs over time and enhance profitability.

Challenges of Green Marketing

1. High Costs: Eco-friendly materials and processes may be more expensive.
2. Greenwashing Risks: Misleading claims about environmental benefits can damage trust and brand reputation.
3. Consumer Skepticism: Some consumers doubt the authenticity of green claims.
4. Limited Awareness: In some markets, consumers may prioritize cost over environmental concerns.

Examples of Green Marketing

Patagonia: Promotes sustainable outdoor clothing and encourages customers to repair rather than replace their gear.

Tesla: Markets electric vehicles as an eco-friendly alternative to traditional cars.

IKEA: Uses sustainable sourcing for wood and offers solar panels to customers.

Unilever: Focuses on reducing the environmental footprint of its products, such as promoting biodegradable detergents.

Green marketing is not just about appealing to consumer preferences; it also involves genuine efforts to reduce environmental harm and contribute to sustainable development.

Marketing Industrial and Consumer Products

Marketing industrial and consumer products involves distinct strategies due to the differences in the nature of the products, target audiences, purchasing processes, and usage. Here's a breakdown of both categories and their marketing nuances:

Industrial Products

Industrial products are goods used in the production of other products or services. They are typically sold to businesses rather than individual consumers.

Characteristics:

Target Audience: Businesses, organizations, or government entities.

Purpose: Functional, aimed at enhancing operational efficiency or production.

Buying Process: Rational and based on logic, involving multiple stakeholders (e.g., procurement teams, engineers).

Examples: Machinery, raw materials, office equipment.

Marketing Strategies:

1. B2B Marketing Approach:

   - Focus on building long-term relationships with businesses.

- Use direct selling, trade shows, and personal interactions.

2. Emphasis on Features and ROI:

   - Highlight technical specifications, reliability, and cost-effectiveness.

   - Provide case studies or demonstrations showing measurable benefits.

3. Content Marketing:

   - Create whitepapers, technical guides, and webinars to educate buyers.

   - Use professional networks (e.g., LinkedIn) for outreach.

4. Sales Team Expertise:

   - Employ sales professionals knowledgeable about the product's technicalities.

5. Distribution Channels:

   - Direct channels, distributors, or agents.

Consumer Products

Consumer products are goods purchased by individuals for personal use.

Characteristics:

-Target Audience: Individual consumers.

-Purpose: Personal satisfaction or consumption.

- Buying Process: Emotional and spontaneous, often driven by brand loyalty or trends.

- Examples: Electronics, clothing, food.

Marketing Strategies:

1. B2C Marketing Approach:

   - Focus on creating a connection with consumers through emotional appeals.

   - Use digital platforms, social media, and traditional advertising.

2. Brand Building:

   - Develop a strong brand identity through storytelling and consistent messaging.

   - Focus on product aesthetics, packaging, and positioning.

3. Promotions and Discounts:

- Offer seasonal sales, coupons, or loyalty programs to drive purchase decisions.

4. Influencer and Viral Marketing:

- Collaborate with influencers and encourage user-generated content.

5. Wide Distribution:

- Use retail stores, e-commerce, and third-party vendors for accessibility.

6. Customer Engagement:

- Encourage feedback and maintain customer service for post-purchase satisfaction.

Key Differences in Marketing:

Aspect	**Industrial Products**	**Consumer Products**
Target Market	Businesses	Individual consumers
Purchase Motivation	Rational (functionality, ROI)	Emotional (aspirations, trends)
Sales Process	Direct and relationship-based	Mass marketing and promotions
Marketing Channels	Trade shows, direct sales	Social media, retail outlets
Decision-Makers	Teams, procurement officers	Individual buyers

Effectively marketing these products requires an understanding of the audience's needs, behaviours, and motivations. Tailoring strategies to match these factors can significantly enhance the effectiveness of the marketing efforts.

Marketing of Services

Marketing of services focuses on promoting intangible offerings like education, healthcare, hospitality, financial services, and entertainment. It differs from product marketing because of the unique characteristics of services: intangibility, inseparability, variability, and perishability. Effective service marketing requires addressing these traits with a tailored strategy.

Key Characteristics of Services Marketing:

Intangibility

- Services can't be seen, touched, or stored before purchase.
- Marketers focus on building trust through testimonials, guarantees, and branding.

Inseparability

- Services are produced and consumed simultaneously (e.g., a haircut).
- Customer experience depends on the quality of the service provider.

Variability

- The quality of services varies with the provider, time, and situation.
- Standardization is achieved through training and clear protocols.

Perishability

- Services can't be stored or inventoried (e.g., unfilled airline seats).
- Effective demand management is essential through pricing strategies and promotions.

The Extended Marketing Mix (7Ps):

In addition to the traditional 4Ps (Product, Price, Place, Promotion), services marketing includes three additional elements:

People

Refers to employees and customers involved in the service delivery.

Training and motivation are crucial for delivering consistent service quality.

Process

The methods and procedures of service delivery.

Efficient, customer-friendly processes ensure satisfaction.

Physical Evidence

Tangible aspects like infrastructure, ambiance, and branding help convey quality and reassure customers.

Strategies for Effective Services Marketing:

1. Customer Relationship Management (CRM): Build lasting relationships to enhance customer loyalty.
2. Personalization: Offer customized experiences to meet diverse needs.
3. Digital Transformation: Use online platforms, apps, and social media for accessibility and engagement.
4. Service Quality: Continuously monitor and improve service standards (e.g., using SERVQUAL).
5. Word of Mouth & Reviews: Encourage satisfied customers to share their experiences.

Marketing of Agricultural Products

Marketing of agricultural products involves the processes and activities required to move agricultural goods from farms to consumers efficiently and profitably. It encompasses various stages like production, storage, transportation, processing, distribution, and sales. Effective agricultural marketing ensures farmers receive fair prices for their products while providing consumers with quality goods at reasonable costs.

Key Components of Agricultural Marketing

Production and Harvesting

Ensures goods are cultivated and harvested according to quality standards to meet market demands.

Transportation and Logistics

Movement of products from farms to markets or storage facilities.

Includes both rural connectivity and supply chain management.

Storage

Adequate storage facilities (e.g., cold storage for perishables) are essential to prevent post-harvest losses.

Processing

Value addition through processing (e.g., making jams from fruits or flour from wheat) can increase profitability.

Grading and Standardization

Sorting agricultural products based on quality and establishing standards like size, weight, and color to attract better market rates.

Pricing

Determination of fair prices through mechanisms like auctions, government minimum support prices (MSP), and open market rates.

Distribution and Marketing Channels

Channels include:

Direct-to-consumer sales (e.g., farmers' markets)

Middlemen (e.g., wholesalers and retailers)

Cooperatives and producer organizations

E-commerce platforms and agricultural marketplaces

Promotion and Branding

Marketing campaigns, certifications (e.g., organic, fair trade), and branding strategies to attract premium buyers.

Government Policies and Support

Schemes like the Agricultural Produce Market Committee (APMC), crop insurance, and subsidies influence market efficiency.

Exports

Promoting agricultural exports involves ensuring compliance with international standards and addressing logistics for global trade.

Challenges in Agricultural Marketing

1. Lack of infrastructure: Poor roads, inadequate storage, and limited processing units.
2. Middlemen dominance: Farmers often earn less due to intermediaries taking a large share.
3. Price volatility: Seasonal fluctuations and market imbalances affect income stability.
4. Information asymmetry: Limited access to market information for farmers.
5. High post-harvest losses: Lack of proper storage and transportation leads to significant waste.

Emerging Trends

Digital Platforms and E-commerce

Platforms like eNAM (National Agriculture Market) and online marketplaces connect farmers directly to buyers.

Contract Farming

Agreements between farmers and companies guarantee prices and provide inputs.

Sustainable Practices

Focus on eco-friendly and organic products to cater to conscious consumers.

Agri-tourism

A creative way to market agricultural products and enhance farm income.

Use of Technology

Block chain for supply chain transparency and drones for precision agriculture.

Improved agricultural marketing benefits both farmers and consumers, playing a crucial role in rural development and economic growth.

Market Information Systems (MIS)

Market Information Systems (MIS) are structured systems that collect, analyze, and distribute data and insights to help businesses make informed decisions about their marketing strategies. MIS provides relevant information about market trends, customer behavior, competitors, and other environmental factors that affect business operations.

Key Components of Market Information Systems

1. **Internal Records**

   Data collected from within the organization, such as sales reports, inventory levels, and customer databases. These records help monitor performance and identify trends.

2. **Marketing Intelligence**

   Information gathered from external sources, including competitors' activities, market conditions, and customer feedback. This often involves surveys, focus groups, and secondary research from publications or industry reports.

3. **Marketing Research**

   A more formalized process involving systematic data collection and analysis on specific issues or challenges in the market. This can include qualitative and quantitative research methodologies.

4. **Analytical Tools**

   Software and algorithms used to process and interpret the collected data. These can range from statistical analysis tools to advanced predictive modeling.

5. **Decision Support Systems (DSS)**

   Technology-driven systems that integrate and analyze data to support decision-making. For instance, customer segmentation tools can help in targeted marketing efforts.

Functions of MIS

1. **Monitoring Trends**

   Identifying changes in consumer preferences, market dynamics, and external environmental factors.

2. **Improving Decision-Making**

   Providing actionable insights to guide marketing strategies, product development, and resource allocation.

3. **Evaluating Marketing Performance**

   Assessing the effectiveness of marketing campaigns and their return on investment (ROI).

4. **Risk Reduction**

   Offering data-driven insights that minimize uncertainties in marketing decisions.

Examples of Market Information Systems

- **CRM Systems (Customer Relationship Management):** Tools like Salesforce that help track customer interactions and preferences.
- **Market Research Platforms:** Companies like Nielsen provide consumer insights through surveys and panels.
- **Social Media Analytics:** Tools like Sprout Social or Google Analytics to analyze customer engagement and behavior online.

Benefits of MIS

- Enhances understanding of target markets.
- Facilitates efficient allocation of resources.
- Supports long-term strategic planning.
- Helps maintain a competitive edge in rapidly changing markets.